锦州银行
BANK OF JINZHOU

Bank of Jinzhou Co., Ltd.

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

Stock Code: 416

Global Offering





Sole Sponsor

建银国际 CCB International

Joint Global Coordinators

建银国际 CCB International

BARCLAYS

Joint Bookrunners and Joint Lead Managers

建银国际 CCB International

BARCLAYS

中信建投國際 China Securities International

招银国际 CMB INTERNATIONAL

農銀國際 ABC INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

錦州銀行
BANK OF JINZHOU

錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering :	**1,320,000,000 H Shares (comprising 1,200,000,000 H Shares to be offered by our Bank and 120,000,000 Sale Shares to be offered by the Selling Shareholders, subject to the Over-allotment Option)**
Number of International Offer Shares :	**1,188,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares :	**132,000,000 H Shares (subject to adjustment)**
Maximum Offer Price :	**HK$5.54 per H Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value :	**RMB1.00 per H Share**
Stock code :	**416**

Sole Sponsor

建银国际 CCB International

Joint Global Coordinators

建银国际 CCB International BARCLAYS

Joint Bookrunners and Joint Lead Managers

建银国际 CCB International BARCLAYS 中信建投國際 China Securities International 招银国际 CMB INTERNATIONAL 農銀國際 ABC INTERNATIONAL

A copy of this prospectus, together with the documents specified in "Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and the different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Appendix IV — Summary of Principal Legal and Regulatory Provisions" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or about Monday, November 30, 2015 (Hong Kong time) and, in any event, not later than Thursday, December 3, 2015 (Hong Kong Time). The Offer Price will be not more than HK$5.54 and is currently expected to be not less than HK$4.64. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$5.54 for each Hong Kong Offer Share together with a brokerage fee of 1%, an SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may reduce the number of Hong Kong Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK$4.64 to HK$5.54) at any time prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Bank at www.jinzhoubank.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares". If, for whatever reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) are not able to agree on the Offer Price on or before Thursday, December 3, 2015, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, or to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting." It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares will be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

* Bank of Jinzhou Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

November 24, 2015

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk** [2]	11:30 a.m. on Friday, November 27, 2015
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Friday, November 27, 2015
Latest time for lodging **white** and **yellow** Application Forms	12:00 noon on Friday, November 27, 2015
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, November 27, 2015
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, November 27, 2015
Application lists of the Hong Kong Public Offering close	12:00 noon on Friday, November 27, 2015
Expected Price Determination Date[5]	Monday, November 30, 2015

Announcement of:

- the Offer Price;
- the level of indication of interest in the International Offering;
- the level of applications of the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on	Friday, December 4, 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus from	Friday, December 4, 2015

A full announcement of the Hong Kong Public Offering containing the announcement and results of allocations above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Bank's website at **www.jinzhoubank.com**[6] from	Friday, December 4, 2015
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Friday, December 4, 2015
Dispatch of H Share certificates in respect of wholly or partially successful applications on[7]	Friday, December 4, 2015
Dispatch of White Form eIPO e-Refund Payment Instructions and refund checks (if applicable) on or before	Friday, December 4, 2015
Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence on	Monday, December 7, 2015

Notes:

(1) All dates and times refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at anytime between 9:00 a.m. to 12:00 noon on Friday, November 27, 2015, the application lists will not open on that day. For further information, please refer to the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Applications Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, November 30, 2015 and, in any event, not later than Thursday, December 3, 2015. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) by Thursday, December 3, 2015, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) Share certificates for the H Shares are expected to be issued on or before Friday, December 4, 2015 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be Monday, December 7, 2015. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.

You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering and how to apply for Hong Kong Offer Shares.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Bank solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Sole Sponsor, any of the Underwriters, any of our or their affiliates or any of our or their respective directors, officers, employees or agents or any other person involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole of this prospectus before you decide whether to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide whether to invest in the Offer Shares.

OVERVIEW

We are a leading city commercial bank in China. According to the Top 1,000 World Banks List published by *The Banker* in July 2015, a total of 117 PRC banks are included in the list by tier 1 capital, with us ranking 44th among PRC banks and 18th among PRC city commercial banks. As of December 31, 2014, we had total assets of RMB250.7 billion, total loans and advances of RMB88.8 billion and total deposits of RMB119.4 billion. As of the same date, we were one of only three city commercial banks in Liaoning Province with total assets exceeding RMB100 billion, according to the CBRC. As of June 30, 2015, our total assets, total loans and advances and total deposits had further increased to RMB312.9 billion, RMB94.1 billion and RMB150.0 billion, respectively.

We are the only city commercial bank headquartered in Jinzhou, an industrial and economic center in Liaoning Province. Jinzhou is located in the intersection of the Northeastern China Economic Zone and the Bohai Rim Economic Circle. We are the largest bank in Jinzhou in terms of loans and deposits, with our total loans accounting for 45.8% of total loans in Jinzhou and our total deposits accounting for 42.9% of total deposits in Jinzhou as of December 31, 2014, according to the CBRC. In recent years, we have extended our geographical coverage and established branches in other major cities in Liaoning Province including Shenyang and Dalian, as well as other major cities in North and Northeastern China including Beijing, Tianjin and Harbin. As of June 30, 2015, we had a total of 178 outlets, of which 99 were located in Jinzhou, 59 were located in Liaoning Province (excluding Jinzhou) and 20 were located outside Liaoning Province.

Our business outside Jinzhou developed rapidly during the Track Record Period, with operating income increasing at a CAGR of 49.5% between 2012 and 2014. As of June 30, 2015, our business outside Jinzhou represented 40.7% of our total loans and advances and 55.8% of our total deposits. In the six months ended June 30, 2015, our business outside Jinzhou represented 37.4% of our operating income and 32.7% of our profit before tax.

We are dedicated to satisfying the needs of our customers through the provision of a variety of financial products and services. We focus on providing customized financial services to SMEs. In particular, we provide small loans and other services to small enterprises, small shops and small retail stalls under our "Three Smalls" ("三小") strategy. Benefiting from our long-term commitment to thoroughly penetrate the Jinzhou market, we have built a solid local SME customer base, and have leveraged our experience in Jinzhou to develop our SME business at our newly established outlets in other cities. Our SME loans grew at a CAGR of 22.7% from 2012 to 2014, and accounted for 74.2% of our total loans and advances as of June 30, 2015. As of December 31, 2014, according to the PBOC, our market share of SME loans in Jinzhou was 60.8%.

We believe that our SME business has established a good industry reputation and has been recognized by regulatory institutions in the PRC. For six consecutive years since 2007, we were recognized as one of the "Top Ten Commercial Banks in China for Supporting the Development of SMEs" (全國支持中小企業發展十佳商業銀行) by the China SMEs Association and China SME Owners Annual Summit. In 2012, we were recognized as a "Pioneering Institution in the China Banking Industry for Providing Financial Services to Small and Micro Enterprises" (全國銀行業金融機構小微企業金融服務先進單位) by the CBRC. In 2013, our "San Xiao Le" ("三小樂") product series was recognized by the CBRC as "2012 Special Financial Service Product for Small and Micro Enterprises by Banking Financial Institutions in China" (2012年度全國銀行業金融機構小微企業金融服務特色產品). In 2014, we were recognized as an "Excellent Financial Institution for Supporting Small and Micro Enterprises with Financial Services in Liaoning Province in 2013" (2013年度遼寧省支持小微企業金融服務優秀金融機構), and our "San Xiao Le" product series was recognized as "Excellent Financial Products for Supporting Small and Micro Enterprises with Financial Services in Liaoning Province Banking Industry in 2013" (2013年度遼寧省銀行業支持小微企業金融服務優秀金融產品), by the Liaoning Banking Industry Association and Liaoning Province Trade Union of Trade, Textile, Finance Industries and Light Industries (遼寧省財貿輕紡金融工會).

In the Track Record Period, we have achieved rapid growth in profits. Our net profit increased from RMB1,171.4 million in 2012 to RMB2,123.2 million in 2014, representing a CAGR of 34.6%. For the six months ended June 30, 2014 and 2015, our net profit was RMB910.0 million and RMB1,439.9 million, respectively, representing an increase of 58.2% from 2014 to 2015. While achieving rapid growth in our business, we implemented prudent risk management and internal controls, and maintained solid asset quality. As of June 30, 2015, our non-performing loan ratio was 0.99% and our provision coverage ratio was 379.76%.

Our principal business is the taking of deposits from our corporate and retail customers and the funding of our loan and investment portfolios using these deposits. We generate operating income primarily from net interest income and income derived from intermediary services. We conduct our business through the following principal business segments: corporate banking, retail banking and treasury business. The following table sets forth our operating income by business segment for the years indicated.

	Year ended December 31,						Six months ended June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate banking	2,383.6	68.4%	2,314.9	59.0%	2,807.6	48.5%	1,783.0	38.1%
Retail banking	704.5	20.2%	751.7	19.2%	869.3	15.0%	471.1	10.1%
Treasury business	367.3	10.5%	831.4	21.2%	2,090.9	36.1%	2,415.9	51.6%
Others(1)	30.7	0.9%	24.1	0.6%	26.8	0.4%	9.6	0.2%
Total	**3,486.1**	**100.0%**	**3,922.1**	**100.0%**	**5,794.6**	**100.0%**	**4,679.6**	**100.0%**

Note:

(1) Including businesses not considered as part of the other three business segments, which mainly include leasing income and non-operating income such as government subsidies.

Our treasury business grew significantly during the Track Record Period, with operating income and profit before tax from such business both growing at a CAGR of 138.6% from 2012 to 2014. For the six months ended June 30, 2015, our treasury business accounted for 51.6% of our operating income and 91.6% of our profit before tax. This is mainly due to the fact that, in recent years, we have been increasingly using funds at our disposal to invest in debt securities classified as receivables, including beneficial interest transfer plans and wealth management products of financial institutions. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balance of our investments in beneficial interest transfer plans was RMB4,300.0 million, RMB32,149.4 million, RMB76,483.3 million and RMB115,921.7 million, respectively, representing 3.5%, 18.3%, 30.5% and 37.0% of our total assets, respectively. As of the same dates, our investments in wealth management products of financial institutions was RMB1,660.0 million, RMB3,271.8 million, RMB2,773.2 million and RMB8,863.5 million, respectively, representing 1.3%, 1.9%, 1.1% and 2.8%, of our total assets, respectively. The risks relating to these investments include: (i) any potential failure to timely and accurately identify all potential risks lying with the borrowers and the projects to be funded; (ii) their limited liquidity due to the lack of an active secondary market for such investments; and (iii) any future changes in regulatory policies which may prohibit us or our counter-parties from making such investments. We manage the liquidity of our investments in debt securities classified as receivables as part of our overall liquidity risk management and do not devise contingency plans for the management of the liquidity risk of our investments in debt securities classified as receivables on a stand-alone basis. See “Risk Factors — Risks Relating to Our Business — We have made substantial investments in debt securities classified as receivables, and any adverse development relating to these types of investments could materially and adversely affect our profitability and liquidity” on page 26 of this prospectus. In order to control risks with respect to the beneficial interest transfer plans, we have taken a number of measures, including adopting a centralized credit management system, a counter-party evaluation system that requires the ultimate borrowers or other third parties to provide full guarantees for the principal and expected yields under the beneficial interest transfer plans by collateral, pledges or guarantees. For more details, please see “Business — Our Principal Business Activities — Treasury Business — Investment and Trading Activities — Investments in Other Debt Instruments issued by Financial Institutions — Approval Procedures and Risk Control” on pages 209 to 211 of this prospectus.

For details of our business, please refer to pages 175 to 239 of this prospectus.

OUR COMPETITIVE STRENGTHS

Our major competitive strengths include the following:

- established regional business structure based in Jinzhou and covering the Northeastern China Economic Zone and Bohai Rim Economic Circle, giving us a significant regional advantage;
- dedication to providing customized financial services to SMEs and other small-scale customers;
- deep penetration of the local economy and consistently leading market position in the local market in Jinzhou;
- effective regional development model and strong innovative ability to continue to drive business growth;
- prudent and improving risk management and internal control systems; and
- experienced management team and efficient management structure.

For details of our strengths, please refer to pages 176 to 183 of this prospectus.

OUR STRATEGIES

Our strategic goal is to continue to enhance our presence as a professional financial services provider with high investment value for our shareholders and investors through prudent, high-quality and targeted growth. To achieve our goal, we plan to:

- consolidate and enhance our regional business advantages and optimize our operational network;
- further strengthen our competitiveness in the SME and other small and micro customer businesses;
- capitalize on the growth potential of personal financial services and further develop our retail banking business;
- further diversify our products and services and expand our intermediary business;
- enhance operational management, internal controls and risk management;
- continue to improve our information system; and
- enhance our people-oriented human resource management.

For details of our strategies, please refer to pages 183 to 188 of this prospectus.

RISK FACTORS

Our business faces a number of risks. In our opinion, these risks may be categorized as (i) risks relating to our business; (ii) risks relating to the PRC banking industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. These risks may have material adverse effects on our business. Such risks include:

- if we are unable to effectively maintain the quality of our loan portfolio, our business, financial condition and results of operations may be materially and adversely affected;
- we may have to increase our allowance for impairment losses to cover future actual losses on our loan portfolio;
- the collateral or pledges securing our loans and advances to customers may not be sufficient or fully realizable;
- We have made substantial investments in debt securities classified as receivables, and any adverse development relating to these types of investments could materially and adversely affect our profitability and liquidity;
- we face increasingly intense competition in China's banking industry and other investment and financing channels;
- interest rate liberalization and changes in exchange rates may materially and adversely affect our results of operations; and
- we are exposed to risks arising from concentration of our business mainly in the Northeastern China Economic Zone and the Bohai Rim Economic Circle.

For further information on the above risks and other risks associated with investing in our shares, please refer to the section headed "Risk Factors" as set out on pages 24 to 57 of this prospectus.

INFORMATION ON OUR SHAREHOLDING AND GROUP STRUCTURE

As of the Latest Practicable Date, we had 121 corporate shareholders and 2,133 individual shareholders, who held in aggregate approximately 98.24% and 1.76% of our shares, respectively. Our largest shareholder as of the Latest Practicable Date was Yinchuan Baota, which held 5.68% of our share capital immediately before the Global Offering. Yinchuan Baota is a non-state owned company mainly engaged in the processing of oil products. For details of our shareholding structure immediately before and after the Global Offering, please refer to "History and Operational Reform — Our Shareholding Structure" on pages 159 to 174 of this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of financial information below on the consolidated statements of profit or loss and other comprehensive income for the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015 and the consolidated statements of financial position as of December 31, 2012, 2013 and 2014 and June 30, 2015 are extracted from the Accountants' Report as set out in Appendix I. The summary of historical financial information as set out below should be read in conjunction with "Appendix I — Accountants' Report" and the two sections of this prospectus headed "Assets and Liabilities" and "Financial Information".

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income Data

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(in millions of RMB)		
Interest income	5,733.7	8,522.9	13,582.5	5,862.0	9,683.0
Interest expense	(2,479.7)	(4,701.5)	(7,954.1)	(3,642.3)	(5,241.0)
Net interest income	**3,254.0**	**3,821.4**	**5,628.4**	**2,219.7**	**4,442.0**
Fee and commission income	123.0	100.5	183.1	78.2	160.9
Fee and commission expense	(26.2)	(25.2)	(66.8)	(22.2)	(28.6)
Net fee and commission income	**96.8**	**75.3**	**116.3**	**56.0**	**132.3**
Net trading gains/(losses)	24.9	(5.7)	0.5	(7.2)	60.8
Dividend income	5.8	6.3	6.4	—	0.4
Net gains/(losses) arising from investment securities	60.8	(3.6)	8.4	1.7	2.3
Foreign exchange gain	13.1	4.3	7.9	13.2	32.2
Other operating income	30.7	24.1	26.7	3.5	9.6
Operating income	**3,486.1**	**3,922.1**	**5,794.6**	**2,286.9**	**4,679.6**
Operating expenses	(1,651.4)	(1,888.1)	(2,213.5)	(983.3)	(1,246.5)
Operating profit before impairment	**1,834.7**	**2,034.0**	**3,581.1**	**1,303.6**	**3,433.1**
Impairment losses on assets	(298.7)	(274.7)	(793.4)	(111.5)	(1,534.7)
Profit before tax	**1,536.0**	**1,759.3**	**2,787.7**	**1,192.1**	**1,898.4**
Income tax	(364.6)	(403.8)	(664.5)	(282.1)	(458.5)
Net profit	**1,171.4**	**1,355.5**	**2,123.2**	**910.0**	**1,439.9**

Selected Consolidated Statements of Financial Position Data

	As of December 31,			At June 30,
	2012	2013	2014	2015
		(in millions of RMB)		
Assets				
Cash and deposits with the central bank	22,713.2	23,258.6	30,170.5	30,706.0
Deposits with banks and other financial institutions	8,759.2	9,698.2	12,520.6	16,078.9
Placements with banks and other financial institutions	—	1,980.6	—	912.3
Financial assets at fair value through profit or loss	324.2	58.5	9,990.3	14,424.8
Positive fair value of derivatives	—	—	—	15.8
Financial assets held under resale agreements	1,147.2	—	—	—
Interests receivable	536.2	673.9	1,560.2	1,767.1
Loans and advances to customers	61,781.1	76,728.8	86,548.8	90,569.2
Available-for-sale financial assets	9,818.4	14,942.5	17,256.2	16,876.6
Held-to-maturity investments	7,925.4	7,587.6	7,339.6	10,290.6

	As of December 31,			At June 30,
	2012	2013	2014	2015
	(in millions of RMB)			
Debt securities classified as receivables	5,960.0	35,421.2	79,256.5	124,785.2
Property and equipment	3,651.8	4,141.4	5,097.5	5,204.8
Deferred tax assets	229.6	432.1	400.0	667.3
Other assets	448.0	590.5	552.5	640.2
Total assets	**123,294.3**	**175,513.9**	**250,692.7**	**312,938.8**
Liabilities and equity				
Liabilities				
Borrowing from the central bank	20.0	27.0	190.0	50.0
Deposits from banks and other financial institutions	20,158.9	52,391.2	82,457.6	107,040.6
Placements from banks and other financial institutions	772.9	3,029.9	3,044.7	4,700.2
Financial liabilities at fair value through profit or loss.	—	—	9,932.2	14,296.7
Negative fair value of derivatives	—	—	—	21.7
Financial assets sold under repurchase agreements	6,011.4	9,034.4	10,259.0	11,561.9
Deposits from customers.	82,786.3	92,764.6	119,403.0	150,030.0
Accrued staff costs	254.9	263.0	277.9	247.0
Taxes payable	112.6	106.4	412.8	287.8
Interests payable	1,068.6	1,881.0	3,346.9	4,488.3
Debts securities issued	500.0	500.0	2,000.0	2,000.0
Other liabilities	411.6	4,007.1	3,491.5	1,359.8
Total liabilities	**112,097.2**	**164,004.6**	**234,815.6**	**296,084.0**
Total equity	**11,197.1**	**11,509.3**	**15,877.1**	**16,854.8**
Total liabilities and equity	**123,294.3**	**175,513.9**	**250,692.7**	**312,938.8**

SUMMARY OF KEY FINANCIAL AND OPERATING INDICATORS

The following table sets forth a summary of key financial and operating indicators for the periods indicated.

	Regulatory requirement(21)	For the year ended December 31,			For the six months ended June 30,	
		2012	2013	2014	2014	2015
					(unaudited)	
Profitability indicators						
Return on average total assets(1)(25)	≥0.6%	1.02%	0.91%	1.00%	0.92%	1.02%
Return on average equity(2)(25)	≥11%	11.30%	12.00%	15.64%	15.26%	17.77%
Net interest spread(3)(5)(25)	N/A	3.06%	2.32%	2.43%	2.04%	2.94%
Net interest margin(4)(5)(25)	N/A	3.30%	2.52%	2.63%	2.24%	3.16%
Net fee and commission income to operating income ratio(6)	N/A	2.78%	1.92%	2.01%	2.45%	2.83%
Cost-to-income ratio(7)	≤45%	40.55%	40.47%	31.26%	35.03%	20.46%

	Regulatory requirement(21)	As of December 31,			As of June 30,
		2012	2013	2014	2015
Capital adequacy indicators					
Based on Capital Adequacy Measures					
Core capital adequacy ratio(8)	≥4%	13.03%	N/A	N/A	N/A
Capital adequacy ratio(9)	≥8%	14.34%	N/A	N/A	N/A
Based on New Capital Adequacy Measures					
Core tier 1 capital adequacy ratio(10)	≥5.9%(22)	N/A	9.76%	8.64%	7.03%
Tier 1 capital adequacy ratio(11)	≥6.9%(22)	N/A	9.76%	8.64%	7.03%

	Regulatory requirement[21]	As of December 31, 2012	2013	2014	As of June 30, 2015
Capital adequacy ratio[12]	≥8.9%[22]	N/A	10.89%	10.45%	8.92%
Assets quality indicators					
Non-performing loan ratio[13]	≤5%	0.94%	0.87%	0.99%	0.99%
Allowance coverage ratio[14]	≥150%	239.45%	226.40%	256.15%	379.76%
Allowance to loans ratio[15]	≥2.5%[23]	2.24%	1.97%	2.53%	3.77%
Other Indicators[16]					
Loan-to-deposit ratio	≤75%[24]	65.57%	66.62%	55.70%	50.02%
Liquidity ratio[17]	≥25%	54.97%	47.63%	55.97%	60.88%
Core liabilities ratio[18][20]	≥60%	68.79%	60.46%	60.57%	60.48%
Liquidity gap ratio[19][20]	≥-10%	4.21%	(9.25%)	(9.57%)	(4.43%)

Notes:

(1) Represents the net profit for a period as a percentage of the average balance of total assets at the beginning and the end of that period.

(2) Represents the net profit attributable to our equity shareholders for a period as a percentage of the average balance of total equity attributable to equity shareholders at the beginning and at the end of that period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.

(5) Our net interest spread and net interest margin decreased in 2013, primarily due to (i) the continued effect of the reduction of the benchmark lending rate by the PBOC twice in the second half of 2012, and (ii) an increase in the proportion of our medium- and long-term interest-bearing liabilities (which have higher cost) and short-term assets (which have lower yield) to manage liquidity and match assets and liabilities. Our net interest spread and net interest margin increased in 2014, primarily due to increases in the average yield of both our loans and advances to customers and our investment securities and other financial assets. Our net interest margin and net interest spread increased during the six months ended June 30, 2015 compared with the same period in 2014, primarily due to (i) our continuing adjustments to the structure of our assets by increasing the balance of the interest-earning assets with higher yields, and (ii) the increase of the average yield of our loans and advances to customers and the average yield of investment securities and other financial assets.

(6) Net fee and commission income to operating income ratio = net fee and commission income / operating income x 100%.

(7) Cost-to-income ratio = operating expenses (excluding business tax and surcharges) / operating income x 100%, prepared under PRC GAAP.

(8) Core capital adequacy ratio = (core capital — core capital deductions) / (risk-weighted assets + 12.5 x capital charge for market risk) x 100%.

(9) Capital adequacy ratio = (capital — capital deductions) / (risk-weighted assets + 12.5 x capital charge for market risk) x 100%.

(10) Core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions) / risk-weighted assets x 100%.

(11) Tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions) / risk-weighted assets x 100%.

(12) Capital adequacy ratio = (total capital — corresponding capital deductions) / risk-weighted assets x 100%.

(13) Non-performing loan ratio = total non-performing loans / total loans and advances to customers x 100%. For a detailed analysis of our non-performing loans and our non-performing loan ratios during the Track Record Period, see "Assets and Liabilities — Assets — Loans and Advances to Customers". In particular, see "Assets and Liabilities — Assets — Loans and Advances to Customers — Non-performing Corporate Loans by Industry" for a discussion of our corporate non-performing loans by industry.

(14) Allowance coverage ratio = allowance for impairment losses on loans / total non-performing loans x 100%.

(15) Allowance to loans ratio = allowance for impairment losses on loans / total loans and advances to customers.

(16) Such ratios represent the ratios our Bank submitted to the CBRC and were calculated in accordance with financial data under PRC GAAP and CBRC requirements.

(17) Liquidity ratio = current assets / current liabilities x 100%. Current assets include cash, gold, surplus deposit reserve, net placement and deposits with banks and other financial institutions due within one month, interest receivable and other receivables due within one month, qualified loans due within one month, bond investments due within one month, debt securities that can be liquidated on the domestic or international secondary market at any time and other liquid assets due within one month (excluding the non-performing portion of such assets). Current liabilities include demand deposits (excluding fiscal deposits), time deposits due within one month (excluding fiscal deposits), net placements and deposits from banks and other financial institutions due within one month, issued bonds due within one month, interest payable and all kinds of payables due within one month, borrowings from the PBOC due within one month and other liabilities due within one month.

(18) Core liabilities ratio = amount of core liabilities / amount of total liabilities x 100%. Our core liabilities ratio as of the end of 2013 and 2014 and June 30, 2015 was lower than that as of the end of 2012 and was close to the regulatory minimum of 60%, mainly because our interbank liabilities increased as of the end of 2013 and 2014 and June 30, 2015 and represented a higher percentage of our total liabilities compared with that as of the end of 2012.

(19) Liquidity gap ratio = liquidity gap / amount of on- and off-balance sheet assets due within 90 days x 100%. Liquidity gap refers to the amount of on- and off-balance sheet assets with maturities of 90 days or less minus the amount of on- and off-balance sheet liabilities with remaining maturities of 90 days or less. Our liquidity gap ratio as of the end of 2013 and 2014 was lower than that as of the end of 2012 and was close to the regulatory minimum of -10%, mainly because

we increased the mismatch of our assets and liabilities in 2013 and 2014 in search of a balance between risk and return. Accordingly, (i) we enhanced our fund position management and reduced our surplus deposit reserve balance; and (ii) our investments in beneficial interest transfer plans increased, which are typically of fixed terms of one year or longer, while our interbank short-term borrowings increased.

(20) Although our core liabilities ratio and liquidity gap ratio as of the end of 2013 and 2014 and our core liabilities ratio as of June 30, 2015 were close to regulatory minimum requirements, we are of the view that this has not had and will not have any material adverse effect on our business, financial condition and results of operations because (i) while these ratios mainly focus on the stability of core liabilities and the static and short-term liquidity gap, respectively, our other regulatory liquidity ratios, are significantly higher than regulatory minimum and we are of the view that we have ample liquidity judging from the various regulatory liquidity ratios taken as a whole; (ii) these ratios are generally within our own control, and we intend to continue to rely on our solid customer base and various interbank channels to manage our liquidity; and (iii) customer deposits and interbank deposits represented 50.8% and 35.1%, respectively, of our total liabilities as of the end of 2014 and 50.7% and 36.2%, respectively, of our total liabilities as of June 30, 2015, based on which we are of the view that our liabilities structure is relatively stable. We plan to continue to manage our liquidity through our risk management system. See "Risk Management — Liquidity Risk Management".

(21) For a detailed discussion of the requirement of the ratios, see "Supervision and Regulation — Other operational and risk management ratios" on pages 144 to 147 of this prospectus.

(22) Commercial banks (other than systematically important banks) in the PRC are required to maintain (i) their capital adequacy ratio at or higher than 8.5%, 8.9% and 9.3% respectively, as of December 31, 2013, 2014 and 2015; (ii) their tier 1 capital adequacy ratio at or higher than 6.5%, 6.9% and 7.3%, respectively, as of December 31, 2013, 2014 and 2015; and (iii) their core tier 1 capital adequacy ratio at or higher than 5.5%, 5.9% and 6.3%, respectively, as of December 31, 2013, 2014 and 2015.

(23) Not applicable to our Bank until December 31, 2016.

(24) Pursuant to the amended PRC Commercial Banking Law, with effect from October 1, 2015, the loan-to-deposit ratio ceased to apply to PRC commercial banks as a regulatory ratio.

(25) Calculated on an annualized basis.

DIVIDEND POLICY

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board deems relevant. Under the PRC Company Law and our Articles of Association, all of our shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding.

In April 2013, we declared dividends in the amount of RMB390.2 million for the year ended December 31, 2012. In June 2014, we declared dividends in the amount of RMB409.7 million for the year ended December 31, 2013. The dividends declared for the years ended December 31, 2012 and 2013 were paid in full in October 2013 and December 2014, respectively. In June 2015, we declared dividends in the amount of RMB528.3 million for the year ended December 31, 2014 (the "**2014 Dividends**"). As of the Latest Practicable Date, the 2014 Dividends have not yet been paid. Subject to the completion of the necessary regulatory procedures, we expect to complete the payment of the 2014 Dividends by the end of 2015 using our internal funds. For the avoidance of doubt, the 2014 Dividends will not be paid to any new shareholders after listing.

Pursuant to the "Resolution on Accumulated Undistributed Profits' Distribution Proposal of Bank of Jinzhou Co., Ltd." (《錦州銀行股份有限公司關於滾存未分配利潤分配方案的議案》) approved in the extraordinary general meeting of our Bank held in October 2014, any distributable profits accrued before listing will be shared by existing and new shareholders after listing. Dividends paid in prior periods may not be indicative of future dividend payments. We currently do not have any dividend policy as to the expected dividend payout ratio. We cannot guarantee when, if and in what form or size dividends will be paid in the future. For further details, see "Financial Information — Dividend Policy" on pages 424 to 425 of this prospectus.

STATISTICAL DATA OF THE OFFERING

All statistical data in the following table are based on the assumption that the Over-allotment Option is not exercised.

	Based on the Offer Price of HK$4.64	Based on the Offer Price of HK$5.54
Market Capitalization of our Bank	HK$25,994.4 million	HK$31,036.4 million
Unaudited pro forma adjusted consolidated net tangible assets per share	HK$4.55	HK$4.74

Notes:

(1) Calculation of market capitalization is based on 1,200,000,000 H Shares expected to be newly issued in the Global Offering and 5,602,233,866 shares in issue following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Rule 4.29 of the Listing Rules and after making the adjustments as set out in the section headed "Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" in this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK$5.09 per H Share (being the mid-point of the Offer Price range set out in this prospectus) and no exercise of the Over-allotment Option, the amount of net proceeds received by us from the Global Offering is expected to be approximately HK$5,851.3 million (after deducting the underwriting fees and estimated expenses payable by us in respect of the Global Offering), or if the Over-allotment Option is exercised in full, the amount will be approximately HK$6,767.5 million. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders pursuant to the Global Offering. We currently intend to use the net proceeds from the Global Offering to strengthen our capital base to support the ongoing growth of our business.

LISTING EXPENSES

The estimated total listing expenses in relation to the Global Offering are estimated to be approximately RMB210.3 million, of which RMB173.9 million is expected to be capitalised upon listing. During the Track Record Period, we incurred listing expenses of approximately RMB27.3 million, of which RMB8.3 million was recognized as expenses in our consolidated statement of profit or loss and other comprehensive income. We expect to incur additional listing expenses (including underwriting commission) of approximately RMB183.0 million, of which RMB28.1 million is expected to be recognized as expenses in the consolidated statement of profit or loss and other comprehensive income for the year ending December 31, 2015 and RMB154.9 million is expected to be recognized as a deduction in equity directly. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2015.

COMPLIANCE WITH CBRC NOTICE ON SHARE PLEDGES BY SHAREHOLDERS

For the purpose of compliance with the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the "**Notice**") issued by CBRC in November 2013, we require our Shareholders (including holders of our H Shares) to notify us of their pledge of our shares by making prior filings of such pledge with us. Please refer to our website **www.jinzhoubank.com** for details on how to make such filings.

According to the Notice, commercial banks are required to stipulate in their articles of association that, for those shareholders that have pledged 50% or more of their equity interests in the bank, their voting rights at general meetings and the voting rights of directors designated by them at board meetings shall be "subject to restrictions". However, the Notice did not provide clarification or guidance on what restrictions should be imposed or how they should be imposed. In our handling of future Shareholder voting, we intend to comply with the Notice in accordance with the clarification and guidance of regulatory authorities. We cannot assure you that we will not be required by regulatory authorities to impose the voting restrictions on our Shareholders, including holders of our H Shares, in a manner deemed appropriate by them, which in extreme cases may involve suspension of the relevant Shareholders' voting rights.

REGULATORY INSPECTIONS AND PROCEEDINGS

We are subject to the inspection and supervision by a number of regulatory authorities in the PRC, including PBOC, CBRC, SAFE, MOF, SAT and NAO and their respective local offices. We have had administrative penalties imposed upon us, mainly in the form of fines, due to non-compliance incidents in regulatory aspects. The inspection and supervision conducted by the regulatory authorities in the PRC had also revealed some deficiencies in the areas of our business operation, risk management and internal control. For further information on the cases of non-compliance and other regulatory inspections, legal proceedings and investigation details, please refer to the section headed "Business — Legal and Regulatory Matters — Regulatory Inspections and Proceedings" on pages 229 to 238 of this prospectus.

SHAREHOLDING DISPUTE LITIGATION

As of the Latest Practicable Date, we were involved in a shareholding dispute litigation. In April 2012, Liaoning Huaqiao Group Company (遼寧華僑集團公司, "**Huaqiao Group**") sued Liaoning Huaqiao Group Co., Ltd. (遼寧華僑集團有限公司, "**Huaqiao Company**") and State-owned No. 777 Factory (國營七七七總廠, "**777 Factory**") on the ground that Huaqiao Company transferred 10.5 million shares of our Bank held by it to 777 Factory in 2000 without the knowledge of Huaqiao Group. In July 2012, Huaqiao Group applied to add our Bank as a joint defendant. It requested the court to (i) order us to issue 12-year term warrants with an exercise price of RMB1.00 per share, convertible into such numbers of shares equalling 9.16% of our total share capital in August 2012, to it and (ii) order 777 Factory and us to jointly indemnify Huaqiao Group in the amount of RMB103.9 million plus 9.16% of our profit recorded in our respective financial statements from 2010 to the date of the judgment, which equals approximately RMB595.2 million as of December 31, 2014 based on our audited financial statements under the PRC GAAP.

Liaoning Min Ju Law Firm (遼寧民聚律師事務所), our legal advisor in this litigation, is of the view that, based on the evidence currently available, the likelihood of us losing this shareholding dispute litigation is low. Our Directors are of the view that these claims are unlikely to be supported by the court and this shareholding dispute litigation is unlikely to have any material adverse effect on our business, financial position and results of operation. Hypothetically, if we were ordered by the court to issue warrants to Huaqiao Group as it requested, such warrants would be convertible into approximately 7.5% of our total share capital as of the Latest Practicable Date after the hypothetical issue and full exercise of the warrants, rendering Huaqiao Group our single largest shareholder. For details, see "Business — Legal and Regulatory Matters — Litigation" on pages 225 to 229 of this prospectus. For related risks, see "Risk Factors — Risks relating to Our Business — We are involved in a shareholding dispute litigation and may be materially and adversely affected if the court judgment is unfavorable to us and, in such event, shareholders' shareholdings in us may be diluted." on pages 40 to 41 of this prospectus.

RECENT DEVELOPMENTS

The business and revenue of our Group have been growing since June 30, 2015 (being the date up to which the latest consolidated financial statement of our Group were made).

With effect from August 26, 2015, the PBOC lowered the benchmark interest rates on Renminbi-denominated loans and deposits, where the benchmark interest rate for loans with maturities of one year was lowered by 0.25 percentage points to 4.6% and the benchmark interest rate for RMB-denominated deposits with maturities of one year was lowered by 0.25 percentage point to 1.75%. With effect from the same date, financial institutions have been allowed to set interest rates on Renminbi-denominated time deposits with tenors of longer than one year based on commercial considerations. With effect from October 24, 2015, the PBOC further lowered the benchmark interest rates on Renminbi-denominated loans and deposits, where the benchmark interest rate for RMB-denominated loans with maturities of one year was lowered by 0.25 percentage points to 4.35% and the benchmark interest rate for RMB-denominated deposits with maturities of one year was lowered by 0.25 percentage point to 1.5%. With effect from the same date, the PBOC ceased to set upper limits of RMB-denominated deposit interest rates for commercial banks and rural cooperative financial institutions and lowered the RMB-denominated deposit reserve ratio of financial institutions by 0.5 percentage points, and further lowered RMB-denominated deposit reserve ratio by 0.5 percentage points for qualified financial institutions in order to encourage financial support to the agriculture industry and SMEs. See "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits", from pages 123 to 127 of this prospectus. These changes may lead to (i) increased competition in the financial services market; (ii) changes to our pricing strategies for our loan and deposit businesses; (iii) reductions in our net interest spread and net interest margin; and (iv) customer reactions, which may put pressure on our liquidity management. See "Risk Factors — Risks relating to the PRC Banking Industry — Interest rate liberalization, the PBOC's adjustments to the benchmark interest rates, deposit insurance program and other risks arising from the regulatory changes in the PRC banking industry may materially and adversely affect our results of operations." on pages 42 to 43 of this prospectus. We are of the view that the changes in benchmark interest rates in August and October 2015 as described above will not have a material adverse impact on our business, financial condition and results of operations up to the Latest Practicable Date. We will continue to monitor and manage the interest rate risk arising from the recent and future adjustments of PBOC benchmark interest rates on loans and deposits, through optimizing the maturity portfolio of our assets and liabilities, interest rate exposure analysis, maturity analysis and other analysis tools to enhance quota management. See "Risk Management — Market Risk Management — Interest Rate Risks" on page 257 of this prospectus.

On August 11, 2015, the PBOC announced to improve the central parity of RMB against U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity of RMB against the U.S. dollar depreciated by nearly 2% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. As of June 30, 2015, we had net assets denominated in U.S. dollars that accounted for approximately 1.3% of our net assets, and net assets denominated in other foreign currencies that accounted for approximately 0.01% of our net assets. As of the same date, our USD and other foreign currency off-balance sheet credit commitments accounted for 3.4% and 0.03% of our total off-balance sheet credit commitments, respectively. Therefore, the recent depreciation of RMB as described above had not had any significant impact on our financial position after the Track Record Period and up to the Latest Practicable Date. Please see "Financial Information — Quantitative and Qualitative Analysis of Market Risk — Exchange Rate Risk" on pages 422 and 423 in this prospectus and "Risk Factors — Risks relating to the PRC — We are subject to PRC government controls on currency conversion, and the fluctuation of the RMB may materially and adversely affect our business and our ability to pay dividends to holders of H Shares" on pages 51 and 52 of this prospectus.

Since 2014 and up to the Latest Practicable Date, we had credit exposure to one particular ultimate group borrower (the "**Relevant Group Borrower**"), who was subject to negative media reports on its business and financial position. Our credit exposure to the Relevant Group Borrower was through (i) our investments in the beneficial interest transfer plans that are linked with the Relevant Group Borrower (the "**Relevant Beneficial Interest Transfer Plans**"), (ii) our investments in the debt instruments issued by members of the Relevant Group Borrower through private placements on domestic trading platforms in the PRC using funds obtained from non-principal-guaranteed wealth management products issued by us ("**Type A Debt Instruments**"), (iii) our investments in debt instruments issued by members of the Relevant Group Borrower through private placements on domestic trading platforms in the PRC using funds from principal-guaranteed wealth management products issued by us (the "**Type B Debt Instruments**"), and (iv) our issuance of a letter of guarantee in favour of the Relevant Group Borrower. The Type A Debt Instruments, the Type B Debt Instruments and part of the Relevant Beneficial Interest Transfer Plans were secured by, among other things, (i) shares of a company within the Relevant Group Borrower (the "**Relevant Listco**") which is listed on the Main Board of the Stock Exchange, and (ii) guarantee provided by the holding company and the ultimate controlling shareholder of the Relevant Group Borrower. Since May 2015, according to public information, the Relevant Listco has been under investigation by the SFC and, as of the Latest Practicable Date, the trading of its shares was suspended, causing uncertainty over the value of the Relevant Listco shares pledged to our Bank as collateral.

As of June 30, 2015, the balance of our investments in the Relevant Beneficial Interest Transfer Plans, the Type A Debt Instruments and the Type B Debt Instruments was RMB9,461.0 million with net credit risk exposure (being the total amount of such part of the assets, the credit risk of which is not fully covered by collateral or otherwise hedged out to third parties) of RMB2,770.0 million. As of the same date, we had a total balance of US$82.0 million of credit commitment through the issuance of a letter of guarantee in favour of the Relevant Group Borrower, which was secured by way of security deposits provided by the Relevant Group Borrower in the amount of RMB508.4 million. In August 2015, we entered into two assets transfer agreements pursuant to which we agreed to dispose of part of our investments in the Relevant Beneficial Interest Transfer Plans with an aggregate outstanding balance of RMB1,970.0 million at face value to two PRC financial institutions, both being independent third parties of our Bank. Upon mutual agreement between the Relevant Group Borrower and us, in August 2015, we also accepted early repayment of part of the amounts advanced through Relevant Beneficial Interest Transfer Plans and the Type B Debt Instruments with an aggregate outstanding amount of RMB2,594.0 million, of which RMB800.0 million counted towards our net credit risk exposure.

Accordingly, as of the Latest Practicable Date, the balance of our investments in the Relevant Beneficial Interest Transfer Plans was reduced to RMB3,690.0 million, all of which were fully secured by certificates of deposits issued to members of the Relevant Group Borrower by us in the aggregate amount of RMB3,700.0 million and therefore did not count towards our net credit risk exposure. As of the Latest Practicable Date, our credit exposure to the Type A Debt Instruments and the Type B Debt Instruments were RMB1,000.0 million and nil, respectively, none of which counted towards our credit risk exposure as the relevant credit risks were hedged out to third parties. Based on the assessment of the credit risk profile of the Relevant Beneficial Interest Transfer Plans and the Type A Debt Instruments and after taking necessary risk management measures, the Directors are of the view that no provision for impairment loss on our investments in the Relevant Beneficial Interest Transfer Plans and the Type A Debt Instruments was required as of the Latest Practicable Date. As of the Latest Practicable Date, we also had a total balance of US$82.0 million of credit commitment through the issuance of a letter of guarantee in favour of the Relevant Group Borrower, which was secured by way of security deposits provided by the Relevant Group Borrower in the amount of RMB528.4 million. See also "Assets and Liabilities — Assets — Investment Securities and Other Financial Assets — Debt Securities Classified as Receivables, net" on pages 345 to 346 of this prospectus and "Risk Factors — Risks Relating to our Business — We are exposed to risks associated with one particular ultimate group borrower." on pages 29 to 30 of this prospectus.

Save as disclosed above, our Directors have confirmed that there were no material changes in our financial or trading conditions since June 30, 2015 and up to the date of this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Application Form(s)"	**white**, **yellow** and **green** application forms or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Bank, the current version of which was passed at the shareholders' general meeting on October 14, 2014 and was approved by the CBRC Liaoning Bureau on November 4, 2014, which will become effective upon listing, as the same may be amended, supplemented or otherwise modified from time to time
"Bank", "our Bank", "Group", "we" or "us"	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on January 22, 1997 with limited liability in accordance with PRC laws and, unless context indicates otherwise, all of its subsidiaries, branches, sub-branches and special institution
"Banking Disclosure Rules"	the Banking (Disclosure) Rules, Chapter 155M of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Banking Ordinance"	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Basel Accords"	Basel I, Basel II and Basel III, collectively
"Basel I"	the 1988 Basel Capital Accord
"Basel II"	the Revised Basel Capital Framework promulgated in June 2004
"Basel III"	the Revised Basel Capital Framework promulgated in December 2010
"Board"	the board of Directors of our Bank
"Board of Supervisors"	the supervisory board of our Bank
"Bohai Rim Economic Circle"	the economic areas surrounding Bohai Rim, which include Beijing, Tianjin and coastal areas of Hebei Province, the Liaoning Peninsula and the Shandong Peninsula
"building ownership certificates"	building ownership certificates in the PRC (中華人民共和國房屋所有權證)

"Business Day(s)"	any day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR(s)"	compound annual growth rate(s)
"Capital Adequacy Measures"	the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks* (商業銀行資本充足率管理辦法), that was promulgated by the CBRC on February 23, 2004 and became effective on March 1, 2004, as the same may be amended, supplemented or otherwise modified from time to time. The measures have been abolished by the New Capital Adequacy Measures on January 1, 2013
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBRC Liaoning Bureau"	the China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCB International"	CCB International Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
"China UnionPay"	China UnionPay Co., Ltd.* (中國銀聯股份有限公司), a company incorporated in the PRC with limited liability
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)

"city commercial banks"	banks that are approved by the CBRC to be incorporated under the PRC Company Law and the PRC Commercial Banking Law with branches set up at the municipal level or above
"commercial banks"	all the banking institutions in the PRC other than policy banks, including the Large Commercial Banks, the Nationwide Joint-stock Commercial Banks, city commercial banks, rural financial institutions, foreign-owned banks and other banking institutions
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Core Indicators (Provisional)"	the Core Indicators for Risk Supervision of Commercial Banks (Provisional)* (商業銀行風險監管核心指標(試行)), as promulgated by the CBRC on December 31, 2005 and effective on January 1, 2006, as the same may be amended, supplemented or otherwise modified from time to time
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Bank
"Domestic Shares"	ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
"GDP"	gross domestic product
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green application form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"H Share Registrar"	Computershare Hong Kong Investor Services Limited

"H Shares"	the ordinary shares to be issued by our Bank in Hong Kong under the Global Offering, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed and traded on the Hong Kong Stock Exchange
"HK$" or "HK dollars"	the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	132,000,000 H Shares (subject to reallocation) offered in the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering"
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters listed in the section headed "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering dated Monday, November 23, 2015 entered into among us, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters, as described in the section headed "Underwriting"
"IFRS"	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"independent third party"	to the Directors' information having made all reasonable enquiries, the persons who are not our connected persons as defined in the Listing Rules
"International Offer Shares"	1,188,000,000 H Shares (subject to reallocation and the Over-allotment Option) offered in the International Offering

"International Offering"	the offer by us and the Selling Shareholders for the purchase and sale of certain Offer Shares to investors as further described in the section headed "Structure of the Global Offering — International Offering"
"International Purchase Agreement"	the international purchase agreement relating to the International Offering, expected to be entered into on or about Monday, November 30, 2015, among us, the Selling Shareholders and the International Purchasers
"International Purchasers"	the group of initial underwriters expected to enter into the International Purchase Agreement to underwrite the International Offering
"IT"	information technology
"Jinzhou" or "Jinzhou City"	the Jinzhou City located in Liaoning Province in Northeastern China
"Joint Bookrunners"	CCB International Capital Limited, Barclays Bank PLC, China Securities (International) Corporate Finance Company Limited, CMB International Capital Limited and ABCI Capital Limited
"Joint Global Coordinators"	CCB International Capital Limited and Barclays Bank PLC
"Joint Lead Managers"	CCB International Capital Limited, Barclays Bank PLC, China Securities (International) Corporate Finance Company Limited, CMB International Capital Limited and ABCI Securities Company Limited
"land use rights certificates"	land use rights certificates in the PRC (中華人民共和國國有土地使用證)
"Large Commercial Banks"	Agricultural Bank of China Limited, Bank of China Limited, Bank of Communications Co., Ltd., China Construction Bank Corporation and Industrial and Commercial Bank of China Limited, and their respective predecessors, collectively
"Large Enterprises"	enterprises other than enterprises classified as Medium Enterprises, Small Enterprises and Micro Enterprises
"Latest Practicable Date"	November 16, 2015, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Liaoning" or "Liaoning Province"	Liaoning Province of China

"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date on which dealing in the H Shares commences on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as the same may be amended and supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas* (到境外上市公司章程必備條款), as promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 and became effective on the same date, as the same may be amended and supplemented or otherwise modified from time to time
"Medium Enterprises"	medium-sized enterprises classified under the Provisions for SME Classification Standards
"Micro Enterprises"	micro-sized enterprises classified under the Provisions for SME Classification Standards
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	the National Audit Office of the PRC (中華人民共和國審計署)
"Nationwide Joint-stock Commercial Banks"	China CITIC Bank, China Everbright Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank (formerly named as Shenzhen Development Bank), China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank, China Minsheng Bank, Evergrowing Bank, China Zheshang Bank and China Bohai Bank
"NBSC"	the National Bureau of Statistics of China (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Capital Adequacy Measures"	Measures for Administration on Capital of Commercial Banks (Provisional)* (商業銀行資本管理辦法(試行)), as promulgated by the CBRC on June 7, 2012 and effective on January 1, 2013, as the same may be amended, supplemented or otherwise modified from time to time

"Northeastern China"	the three provinces of Heilongjiang, Jilin and Liaoning which are located in northeastern China
"Northeastern China Economic Zone"	the economic areas in Northeastern China, which include Liaoning, Jilin, Heilongjiang provinces and east Inner Mongolia
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NPL"	non-performing loans, and for the purpose of this prospectus, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system we have adopted pursuant to applicable PRC guidelines
"NPL ratio"	the percentage ratio calculated by dividing non-performing loans by total loans
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"Offer Price"	the final Hong Kong dollar offer price per H Share (exclusive of any brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee) at which the H Shares are to be subscribed and issued pursuant to the Global Offering, to be determined as described in the section headed "Structure of the Global Offering"
"Offer Shares"	the H Shares offered in the Global Offering
"Over-allotment Option"	the option to be granted by our Bank and the Selling Shareholders to the International Purchasers to purchase up to an aggregate of 198,000,000 additional H Shares at the Offer Price as described in the section headed "Structure of the Global Offering"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Banking Supervision and Regulatory Law"	the Banking Supervision and Regulatory Law of the PRC* (中華人民共和國銀行業監督管理法), as enacted by the 6th meeting of the 10th Standing Committee of the NPC on December 27, 2003, effective on February 1, 2004, as the same may be amended, supplemented or otherwise modified from time to time

"PRC Commercial Banking Law"	the Commercial Banking Law of the PRC* (中華人民共和國商業銀行法), as enacted by the 13th meeting of the 8th Standing Committee of the NPC on May 10, 1995, effective on July 1, 1995, as the same may be amended, supplemented or otherwise modified from time to time
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the 5th meeting of the 8th Standing Committee of the NPC on December 29, 1993, effective on July 1, 1994, as the same may be amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the generally accepted accounting principles in the PRC
"PRC" or "China"	the People's Republic of China, but for the purposes of this prospectus only, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
"PRC PBOC Law"	the Law of the People's Bank of China of the PRC (中華人民共和國中國人民銀行法), as enacted by the 3rd meeting of the 8th Standing Committee of the NPC on March 18, 1995, effective on the same date, as the same may be amended, supplemented or otherwise modified from time to time
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, as the same may be amended, supplemented or otherwise modified from time to time
"prefecture-level cities"	cities classified as secondary administrative regions according to the administrative division of the PRC government and are lower than provinces, autonomous regions and municipalities directly under the Central Government and are higher than regions and counties in terms of the administrative division
"Price Determination Date"	the date, expected to be on or about Monday, November 30, 2015, on which the Offer Price is to be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) for the purpose of the Global Offering
"provinces"	provinces and provincial-level autonomous regions and municipalities in China, which are directly under the supervision of the central PRC government

"Provisions for SME Classification Standards"	the Provisions for Small and Medium-sized Enterprises Classification Standards* (中小企業劃型標準規定) jointly promulgated by the Ministry of Industry and Information Technology, the National Bureau of Statistics, the NDRC and the MOF on June 18, 2011
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the 120,000,000 H Shares converted from Domestic Shares initially to be sold by the Selling Shareholders in the Global Offering (assuming the Over-allotment Option is not exercised); and, where relevant, any additional H Shares converted from Domestic Shares which may be sold by the Selling Shareholders pursuant to the exercise of the Over-allotment Option
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Selling Shareholders"	the state-owned shareholders, collectively, who are required to reduce their shareholding pursuant to the relevant PRC regulations relating to reduction of state-owned shares as further listed out in the section headed "Statutory and General Information — L. Particulars of the Selling Shareholders" in Appendix VII
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"SHIBOR"	Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
"Small Enterprises"	small-sized enterprises classified under the Provisions for SME Classification Standards

"SME"	micro-sized enterprises, small-sized enterprises and medium-sized enterprises classified under the Provisions for SME Classification Standards
"Sole Sponsor"	CCB International Capital Limited
"Special Regulations"	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies* (國務院關於股份有限公司境外募集股份及上市的特別規定), as promulgated by the State Council on August 4, 1994
"Stabilizing Manager"	CCB International Capital Limited
"State Council"	the PRC State Council (中華人民共和國國務院)
"Supervisor(s)"	the supervisor(s) of our Bank
"Track Record Period"	the period comprising the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"U.S.", "U.S.A." or "United States"	the United States of America
"US$", "USD" or "U.S. dollars"	the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"village and township banks"	banks that are approved by the CBRC to be incorporated in rural areas with the main business focused on serving local farmers and supporting agricultural development
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited

In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Our "outlets" include our headquarters, branches, sub-branches and special institutions.

For ease of reference, in this prospectus, unless otherwise indicated, we use the terms "loans and advances to customers", "loans" and "loans to customers" synonymously. The terms "deposits", "deposits from customers" and "due to customers" synonymously and the terms "net profit" and "profit for the year/period" synonymously.

In this prospectus, the terms "non-performing loans", "NPLs" and "impaired loans" and the terms "NPL ratio" and "non-performing loan ratio" are used synonymously. Under the five-category loan classification system we have adopted pursuant to the applicable PRC guidelines, our non-performing loans are classified as substandard, doubtful or loss, as applicable. See "Assets and Liabilities — Assets — Asset Quality of Our Loan Portfolio — Loan Classification Criteria."

In this prospectus, unless otherwise indicated, the discussions on loans are based on our gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than our net loans to customers. Our loans and advances to customers are reported net of the allowance for impairment losses on our consolidated statements of financial position.

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

Unless otherwise indicated, the growth rates with respect to our business and financial data presented in this prospectus are calculated based on amounts in millions of Renminbi.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "*" is for identification purpose only.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would", and the negative forms of these words and other similar expressions, as they relate to our Bank, our Group or our management, are intended to identify forward-looking statements. Our Directors confirm that these forward-looking statements are made after due and careful consideration and on bases they believe to be fair and reasonable. Such statements reflect the current views of our Bank's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus, some of which are beyond our control. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Bank and our Group which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our capital expenditure plans;
- our business strategies, plans, objectives and goals;
- general economic conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- general political and economic conditions in China;
- our ability to control costs;
- our dividend policy;
- our ability to retain our management;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- changes or volatility in interest rates, foreign exchange rates, risk management, equity prices, volumes, operations and overall market trends;

- the actions and developments of our competitors; and
- the effects of the global financial markets and economic crisis.

Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Actual results may differ materially from the information contained in the forward-looking statements as a result of these and other risks, uncertainties and assumptions and the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business could be materially and adversely affected by any of these risks. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory regime which in some respects may differ from that which prevails in other countries. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, see "Supervision and Regulation," "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association" of this prospectus.

RISKS RELATING TO OUR BUSINESS

If we are unable to effectively maintain the quality of our loan portfolio, our business, financial condition and results of operations may be materially and adversely affected.

Our total loans and advances to customers were RMB63,199.1 million, RMB78,273.3 million, RMB88,799.3 million and RMB94,118.4 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. As of the same dates, our non-performing loan ratio was 0.94%, 0.87%, 0.99% and 0.99%, respectively. Our financial condition and results of operations will be affected by our ability to maintain or improve the quality of our loan portfolio. We cannot assure you that the quality of our existing or future loans to customers will not deteriorate. Deterioration in the overall quality of our loan portfolio may occur due to a variety of reasons, including factors beyond our control, such as a slowdown in the growth of the PRC economy, other adverse macroeconomic development and trends in China or other parts of the world, and outbreaks of disease or other natural disasters, all of which may adversely affect the businesses, operations or liquidity of our borrowers or their ability to service their debt, and we may not be able to realize the collateral, pledges or guarantees securing such loans. See "— The collateral or pledges securing our loans and advances to customers may not be sufficient or fully realizable". In particular, our policy of expanding SME customer loans may have an adverse impact on our overall asset quality because the NPL ratio of these loans may be higher than that of loans to large enterprises. Any significant deterioration in our asset quality may lead to significant increases in our non-performing loans, allowance for impairment losses and loans written off due to impairment, which may have a material adverse effect on our business, financial condition and results of operations.

We may have to increase our allowance for impairment losses to cover future actual losses on our loan portfolio.

Our allowance for impairment losses on loans and advances to customers was RMB1,418.0 million, RMB1,544.5 million, RMB2,250.5 million and RMB3,549.2 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, and as of the same dates, the ratio of our allowance for impairment losses to total non-performing loans was 239.45%, 226.40%, 256.15% and 379.76%, respectively. The amount of impairment losses on loans and advances amounted to RMB298.6 million, RMB273.2 million, RMB706.3 million and RMB1,299.4 million in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. The amount of allowance for impairment losses is based on our assessment of various factors affecting the quality of our loan portfolio under IAS 39. These factors include, among other things, our borrowers' operational and financial condition, repayment ability and repayment intention, the realizable value of any collateral and pledges and the ability of the guarantors of our customers to fulfill their obligations, as well as China's economic, legal and regulatory environment. Many of these factors are beyond our control, and therefore our assessment and expectations on these factors may differ from future developments. As a result, our allowance for impairment losses may not adequately cover our actual losses, and we may need to make additional provisions for impairment losses. In addition, our allowance for impairment losses may increase as a result of future regulatory and accounting policy changes, deviations in loan classification, or changes in our provision policies. Any of the above factors may significantly reduce our profit and materially and adversely affect our business, financial condition and results of operations.

The collateral or pledges securing our loans and advances to customers may not be sufficient or fully realizable.

A majority of our loans are secured by collateral, pledges or guarantees. As of June 30, 2015, 48.7%, 14.7% and 30.2% of our loans and advances to customers were secured by collateral, pledges and guarantees, respectively. The collateral and pledges securing our loans and advances to customers primarily comprised real estate, land use rights, machinery and equipment, bonds, certificates of deposits and other assets. The value of the collateral and pledges securing our loans may fluctuate and decline due to various factors beyond our control, including macroeconomic factors affecting China and the implementation of control policies by government authorities. For example, a slowdown in the PRC economy may lead to a downturn in the real estate market, which may in turn result in declines in the value of the real properties securing our loans to levels below the outstanding principal balance of such loans. Moreover, the growth of the real estate industry and price of real properties in the PRC are significantly influenced by macroeconomic policies of the government, such as interest rate and credit policies. In addition, we cannot assure you that our assessment of the values of collateral and pledges will be accurate. If our collateral and pledges prove to be insufficient to cover the related loans, we may have to require the borrowers to provide additional collateral and pledges and there is no assurance that we or they would be able to do so. Declines in the price of our collateral and pledges or our inability to obtain additional collateral and pledges may result in additional allowances for loan impairment, which may materially and adversely affect our business, financial condition and results of operations.

In the PRC, the procedures for liquidating or otherwise realizing the value of collateral and pledges may be protracted, the value of collateral and pledges may not be fully realized, and the actual process of realizing the value of collateral and pledges may be hindered by difficulties. In addition, under certain circumstances, other rights and claims may be prior to our rights to the collateral and pledges securing our loans. All of the foregoing factors could adversely affect our ability to realize the value of the collateral and pledges securing our loans in a timely manner or at all.

The guarantees under our guaranteed loans are generally not backed by collateral or pledges or other security interests. In addition, some of the guarantees are provided by affiliates of the relevant borrower, so that certain factors which result in a borrower's inability to fully and timely repay a guaranteed loan may also affect the guarantor's ability to fully perform its guarantee obligations, and therefore, expose us to additional risks. If the borrowers are unable to perform the contracts and there is a significant deterioration in the financial condition of the guarantors, the amounts we may recover under such guarantees may decrease significantly. In addition, we are subject to the risk that a court or any other judicial or government authorities may declare a guarantee invalid or otherwise decline or fail to enforce such guarantee. We are therefore exposed to the risk that we may not be able to recover all or part of our guaranteed loans. If we are unable to dispose of assets of borrowers and guarantors or if the guarantors fail to fully perform their guarantee obligations on a timely basis, our business, financial condition and results of operations may be adversely affected.

As of June 30, 2015, 6.4% of the total amount of our loans and advances to customers were unsecured. We have to rely on credit assessments of customers in granting such unsecured loans, and we cannot assure you that our credit assessments of such customers are or will be accurate, or that such customers will repay their loans in full and on time. As we only have a general claim on the assets of defaulting borrowers under unsecured loans, we are exposed to a relatively high risk of losing the entire amounts outstanding under such loans, which may materially and adversely affect our business, financial condition and results of operations.

We have made substantial investments in debt securities classified as receivables, and any adverse development relating to these types of investments could materially and adversely affect our profitability and liquidity.

In recent years, we have made substantial investments in debt securities classified as receivables, which include investments in beneficial interest transfer plans and wealth management products offered by other domestic financial institutions. As of June 30, 2015, the net balance of our debt securities classified as receivables amounted to RMB124,785.2 million, representing 75.0% of our total net investment in securities and other financial assets as of the same date. See "Business — Our principal business activities — Treasury business — Investment and trading activities — Investments in other debt instruments issued by financial institutions".

Debt securities classified as receivables, which typically have predetermined rates of return and fixed terms, carry certain risks. We rely on the issuers and underlying companies for such products to make investment decisions to achieve the agreed-upon rates of return. If they are unable to fully achieve such returns or maintain the principal of our investments, we would rely on the issuers to reduce our losses and would exercise our rights under the related contracts and guarantees to recover any losses from the issuers and guaranteeing entities. In addition, as there has not yet been an active secondary market for debt securities classified as receivables and the majority of our investments in such products have terms of more than one year, their liquidity is limited. As a result, we generally hold our investments in debt securities classified as receivables to maturity, and enter into forward sales contracts with the issuers or third party financial institutions for those investments that we do not plan to hold to maturity. We manage the liquidity of our investments in debt securities classified as receivables as part of our overall liquidity risk management and do not devise contingency plans for the management of the liquidity risk of our investments in debt securities classified as receivables on a stand-alone basis. For the above reasons, our investments in debt securities classified as receivables primarily expose us to counterparty credit risk.

As of June 30, 2015, our debt securities classified as receivables consisted primarily of investments in beneficial interest transfer plans, which accounted for approximately 69.7% of the net balance of our total investment securities and other financial assets. As we extend credit to ultimate borrowers through our investments in beneficial interest transfer plans, we are exposed to various risks in respect of the relevant ultimate borrowers, including credit risks and customer concentration risks. If any of the ultimate borrowers defaults in payment of interests or repayment of principal due under the relevant beneficial interest transfer plans, the relevant risks and potential losses will ultimately pass through to us and hence our business, financial position and results of operation may be adversely and materially affected. As of June 30, 2015, the aggregate balance of our investment in beneficial interest transfer plans to the top five largest single ultimate borrowers was approximately RMB11,380.5 million, representing approximately 9.8% of the total balance of our beneficial interest transfer plans. Some of the ultimate borrowers under these plans may share similar risk profiles as they belong to the same group or industry or are closely connected with each other. Any deterioration in the business or financial condition of any of the ultimate borrowers or of the groups of which they are members could undermine the quality of our investment in beneficial interest transfer plans, including our investment in beneficial interest transfer plans in respect of such ultimate borrowers and their associated companies, which in turn could materially and adversely affect our business, financial condition and results of operation.

The PRC regulatory authorities have not prohibited commercial banks from investing in debt securities classified as receivables (including in beneficial interest transfer plans). However, we cannot assure you that future changes in regulatory policies will not restrict us or our counterparties with respect to investments in debt securities classified as receivables. Any adverse development relating to these types of investments could cause a significant decline in the value of our investments and, as a result, may materially and adversely affect our profitability and liquidity.

If we fail to maintain the growth rate of our customer deposits or our customer deposits decrease substantially, our liquidity, financial position and operating results could be materially and adversely affected.

As a commercial bank, we depend on customer deposits as our primary funding source. We rely on growth in customer deposits to expand our loan business and meet other liquidity needs. Decreases in customer deposits will reduce our capital reserves, which, in turn, will reduce our ability to extend new loans while meeting liquidity regulatory requirements. Our total customer deposits were RMB82,786.3 million, RMB92,764.6 million, RMB119,403.0 million and RMB150,030.0 million as of December 31, 2012, 2013 and 2014 and June 30, 2015. However, there are many factors that may affect the growth of deposits, some of which are beyond our control, such as economic and political conditions, competition from other commercial banks, the availability of alternative investment choices and changes in the outlook of individual customers towards savings. As a result, we cannot assure you that we will be able to maintain the growth in our customer deposits at a pace sufficient to support our expanding business.

In addition, as of June 30, 2015, 71.5% of our total deposits from customers were due within one year, or demand deposits. As of the same date, 58.2% of our total loans and advances to customers were due within one year. There is a mismatch between the maturities of our liabilities and assets. Based on our experience, due in part to the lack of alternative investment products in China, a substantial portion of our short-term customer deposits are rolled over upon maturity, and these deposits have represented a relatively stable source of funding. However, regulations that restrict and reduce interest rates on deposits to levels significantly below the inflation rate and the development of alternative investment products in China have resulted in financial disintermediation in recent years, wherein customers withdraw their deposits and turn them into direct investments. See "— Risks Relating to the PRC Banking Industry — Interest rate liberalization, the PBOC's adjustments to the benchmark interest rates, deposit insurance program and other risks arising from the regulatory changes in the PRC banking industry may materially and adversely affect our results of operations."

If we are unable to maintain the growth rate of our customer deposits, or a substantial portion of our customers withdraw their demand deposits or do not roll over their time deposits upon maturity, our ability to meet capital and other liquidity requirements may be materially and adversely affected. As a result, we may need to seek funding from alternative sources, which may not be available on reasonable terms or at all, in which case our business, financial condition and results of operations may be materially and adversely affected.

The relatively high proportion of our loans with maturity of less than one year may have material and adverse effects on the reliability and stability of our interest income or may cause an increase in the default ratio of our loans.

A large portion of our loans and advances to customers as of June 30, 2015 had a maturity of less than one year. Such loans represented approximately 58.2% of our total loans as of June 30, 2015. In our experience, short-term loans are a stable source of our interest income. However, we cannot assure you that this will remain the case in the future, in particular when competition intensifies or customers seek funds from other sources at lower costs. Moreover, a concentration in short-term loans implies that if a downturn occurs in the PRC economy or in any specific sector of the PRC economy in which our loans were concentrated, the repayment of such loans may be more easily affected and an increase in the default ratio may result. If any instability in our interest income or increase in the default ratio occurs due to any of the above factors, our financial condition and operating results may be materially and adversely affected.

If we incur losses on our investments, our financial condition and results of operations may be materially and adversely affected.

Apart from our businesses of taking deposits, providing loans and credit and providing fee- and commission-based products and services, we also engage in a range of investment activities. As of June 30, 2015, investment in debt securities classified as receivables was the largest component of our investments. Our returns on investment and our profitability may be materially and adversely affected by the foreign exchange rate, credit and liquidity conditions, the performance and volatility of capital markets, asset values and macroeconomic and geopolitical conditions. Any adverse changes in one or more of these factors could reduce the value of, and the gains generated from, our investment portfolio and could have a material and adverse effect on our business, financial condition and results of operations.

In particular, we are exposed to credit risk in relation to certain investments. If the issuers or guarantors of a significant portion of these investments become unable to service their debts due to poor financial performance, bankruptcy or any other reason, the value of such investments may decrease substantially. As a result, our asset quality, financial condition and results of operations may be materially and adversely affected.

Our focus on the development of small and micro enterprise business may expose us to higher credit risks.

We focus on developing our business with small and micro enterprises. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our loans and advances to small and micro enterprises represented 40.6%, 39.8%, 43.8% and 47.9%, respectively, of our total outstanding corporate loans. As of the same dates, the non-performing loan ratio of these loans was 1.12%, 1.18%, 1.38% and 1.19%, respectively, which was higher than our overall NPL ratio of 0.94%, 0.87%, 0.99% and 0.99% as of the same dates, respectively. Small and micro enterprises are more vulnerable to macroeconomic fluctuations due to their small size, as they may lack the financial, management or other resources necessary to withstand the adverse effects brought by economic downturns or changes in the regulatory environment as compared to larger enterprises. A large number of small and micro enterprises could experience cash flow shortfalls and difficulties in funding their business operations in an environment of tight monetary policy, economic downturn and appreciation of the Renminbi, which may result in their default in the repayment of loans. In addition, small and micro enterprises may not have information necessary for us to fully assess their credit risk. As a result, we may not be able to accurately assess the credit risk of these customers. Our non-performing loans may increase significantly due to the effects caused by economic downturn or unfavorable changes in the regulatory environment on our small and micro enterprise customers, which may materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks associated with one particular ultimate group borrower.

For the year ended December 31, 2014 and the six months ended June 30, 2015, we had credit exposure to one particular ultimate group borrower (the "**Relevant Group Borrower**"), who was subject to negative media reports on its business and financial position, through (i) our investments in debt securities classified as receivables, and (ii) issuance of letter of guarantee. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, interest income attributable to the Relevant Group Borrower was approximately nil, nil, RMB320.4 million and RMB721.8 million, respectively.

Our credit exposure to the Relevant Group Borrower was primarily through (i) our investments in the beneficial interest transfer plans that are linked with the Relevant Group Borrower (the "**Relevant Beneficial Interest Transfer Plans**"), (ii) our investments in the debt instruments issued by members of the Relevant Group Borrower using funds obtained from non-principal-guaranteed wealth management products issued by us ("**Type A Debt Instruments**"), and (iii) our investments in debt instruments issued by members of the Relevant Group Borrower using funds obtained from principal-guaranteed wealth management products issued by us (the "**Type B Debt Instruments**"). The Type A Debt Instruments and the Type B Debt Instruments were issued by members of the Relevant Group Borrower through private placements on domestic trading platforms in the PRC. The Type A Debt Instruments and the Type B Debt Instruments and part of the Relevant Beneficial Interest Transfer Plans were secured by (i) shares of a company within the Relevant Group Borrower (the "**Relevant Listco**") which is listed on the Main Board of the Stock Exchange; and (ii) guarantee provided by the holding company and the ultimate controlling shareholder of the Relevant Group Borrower. Since May 2015, according to public information, the Relevant Listco has been under investigation by the SFC and, as of the Latest Practicable Date, the trading of its shares was suspended, causing uncertainty over the value of the Relevant Listco shares pledged to our Bank as collateral.

As of the Latest Practicable Date, our credit exposure to the Relevant Beneficial Interest Plans was RMB3,690.0 million, all of which were fully secured by certificates of deposits issued by us to members of the Relevant Group Borrower in the aggregate amount of RMB3,700.0 million (the "**Relevant Pledges**"). As of the Latest Practicable Date, our credit exposure to the Type A Debt Instruments and the Type B Debt Instruments were RMB1,000.0 million and nil, respectively, none of which counted towards our credit risk exposure as the relevant credit risks were hedged out to third parties. If the Relevant Group Borrower defaults in repayment of any amount advanced under the Relevant Beneficial Interest Transfer Plans and we are not able to fully enforce and realize the Relevant Pledges in a timely manner or at all, we may be required to write off or increase allowance in respect of such assets, which may materially and adversely affect our business, financial condition and results of operation. If the Relevant Group Borrower defaults in repayment of any amount advanced under the Type A Debt Instruments, we believe the investors of the wealth management products will be liable for any loss in principal suffered in such products. Although we do not believe we are responsible for any loss investors may incur in connection with non-principal-guaranteed wealth management products, we may eventually bear such losses if investors bring lawsuits against us and the court does not agree with us. We may also decide to bear part or all of such losses for reputational or other considerations. Moreover, our reputation may be severely damaged and we may also suffer a loss of business and customers.

In addition to the credit exposure through our investments in debt securities classified as receivables, as of the Latest Practicable Date, we also had a total balance of US$82.0 million of credit commitment through the issuance of a letter of guarantee in favour of the Relevant Group Borrower, which was secured by way of security deposits provided by the Relevant Group Borrower in the amount of RMB528.4 million. If the Relevant Group Borrower defaults in its primary obligation associated with the said letter of guarantee, we may be called upon by the relevant lender to repay such outstanding sum in accordance with the terms of the letter of guarantee. To the extent that we are not able to fully enforce and realize the relevant security interest or the realized value of the security interest is lower than the outstanding balance of the letter of guarantee, our financial position and results of operations may be materially and adversely affected.

We face concentration risks from our credit exposure to certain industries and borrowers in our loan business.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, corporate loans represented 96.1%, 94.1%, 91.4% and 90.2%, respectively, of our total loans and advances to customers. As of June 30, 2015, loans to the wholesale and retail industry, the manufacturing industry, the real estate industry, the leasing and commercial services industry and the construction industry accounted for 33.5%, 24.3%, 12.8%, 8.6% and 3.9% of our corporate loans, respectively, and non-performing corporate loans to such industries accounted for 29.5%, 59.3%, 3.0%, 0.6% and 0.3% of our total non-performing corporate loans, respectively. A downturn in any of the industries in which we have a concentration of loans may cause our non-performing loans to increase and may negatively affect new loans extended to, and the renewal of existing loans by, borrowers in those industries, and may materially and adversely affect our assets quality, financial condition and results of operations.

As of June 30, 2015, the aggregate amount of our loans to the ten largest single borrowers was RMB9,392.3 million, representing 9.9% of our total loans and advances to customers and 44.4% of our regulatory capital. As of the same date, as calculated in accordance with the applicable CBRC requirements, our credit extended to our ten largest group borrowers amounted to RMB10,574.4 million, representing 50.0% of our regulatory capital. Any deterioration in any of the industries in which our loans are highly concentrated or any deterioration in the financial condition or results of operations of our borrowers in relevant industries or any of our major borrowers or group borrowers could undermine the quality of our existing loans and our ability to generate new loans, which in turn could materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks associated with the real estate industry.

We have exposure to the real estate market in the PRC through corporate loans to the real estate sector, personal residential and commercial mortgage loans and other loans secured by real estate. As of June 30, 2015, individual residential and commercial mortgage loans represented 0.3% of our total loans, and corporate loans granted to the real estate industry represented 11.6% of our total loans. The PRC government has in recent years imposed and may continue to impose macroeconomic control measures aimed at preventing the real estate market from over-heating. For details of such measures, see "Supervision and Regulation — Regulation of Principal Commercial Banking Activities — Lending."

Such measures may slow down the growth of our loans to, and adversely affect the financial condition, liquidity and repayment capabilities of, our customers in the real estate sector. These measures may also reduce the demand for personal residential mortgage loans in the PRC. In addition, any significant or extended decline in property prices in the PRC may have a material adverse effect on the asset quality of our loan portfolio. If the real estate market in the PRC experiences a significant downturn, the value of collateral securing our loans may decrease to a level below the outstanding balances of such loans, which could result in a reduction in the amount we may recover on any defaulting loans secured by real estate. We cannot assure you that any measures we take will be effective or sufficient to protect us from the effects of downturn in the PRC real estate market as a result of macroeconomic conditions, national policies or other factors.

We are exposed to risks arising from concentration of our business mainly in the Northeastern China Economic Zone and the Bohai Rim Economic Circle.

Our business and operations are primarily concentrated in the Northeastern China Economic Zone and the Bohai Rim Economic Circle. As of June 30, 2015, 59.3% of our loans and 44.2% of our deposits were originated from our outlets in Jinzhou. Our business outside Jinzhou is mainly located in other parts of Liaoning, Harbin, Beijing and Tianjin. Most of our businesses and operations will remain in the Northeastern China Economic Zone and the Bohai Rim Economic Circle for the foreseeable future, in particular in Jinzhou and elsewhere in Liaoning. Therefore, our continued growth depends to a large extent on the continued growth in the aforementioned regions, and we are exposed to risks arising from concentration of credit in the aforementioned regions in terms of distribution of customers and geographical coverage. Any adverse change in the economic development and political and social conditions of, or any significant natural disaster or catastrophic event occurring in, the Northeastern China Economic Zone and the Bohai Rim Economic Circle may materially and adversely affect our business, financial condition and results of operations.

We began expanding our operations outside Liaoning by opening a branch in Tianjin City in 2008. We currently have branches in three cities outside of Liaoning, namely Beijing, Tianjin and Harbin. Based on our development plan, we may further expand our business coverage in the future. However, we may not continue to be permitted to establish branches or succeed in establishing branches in other areas beyond Liaoning. The CBRC restricts city commercial banks from establishing branches outside their home regions without specific approval. To obtain such approval, we need to satisfy various requirements imposed by the CBRC. Even if we obtain such approval, we may not possess the necessary experience, knowledge of the local business environment, risk management tools and qualified personnel to successfully compete with the banks and other financial institutions already existing in these areas or regions. See "— We may not be able to successfully manage the growth of our business." The expansion of our business may be materially and adversely affected if we are not able to or do not succeed in establishing additional branches outside of Liaoning, which, in turn, may materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks associated with wealth management products.

In recent years, we have been actively developing our wealth management business by expanding the volume and range of wealth management products offered to customers. According to the CBRC requirements, principal-guaranteed wealth management products must be recorded on the statements of financial position. As of June 30, 2015, the outstanding balance of our principal-guaranteed wealth management products amounted to RMB23,206.9 million, and the outstanding balance of our non-principal-guaranteed wealth management products amounted to RMB10,923.0 million. Fees charged on our wealth management products amounted to RMB30.6 million for the six months ended June 30, 2015.

We have invested funds raised through the sale of our wealth management products mainly in debt securities. As most of the wealth management products issued by us are principal-guaranteed products, we are liable for any loss in principal suffered in these products. In addition, although we do not believe we are responsible for any loss investors may incur in connection with non-principal-guaranteed wealth management products, we may eventually bear such losses if the investors bring lawsuits against us and the court does not agree with us. We may also decide to bear part or all of such losses for reputational or other considerations. Moreover, our reputation may be severely damaged and we may also suffer a loss of business and customer deposits.

In addition, the tenor of some of the wealth management products issued by us might be shorter than that of the underlying assets. This mismatch requires us to issue new wealth management products or sell the underlying assets to address the funding gap when existing wealth management products mature. If we fail to address such funding gap effectively, our liquidity management could be adversely affected. PRC regulatory authorities have introduced certain regulatory policies to restrict the wealth management business of Chinese commercial banks, including in respect of the scale of certain investment products. If PRC regulatory authorities further restrict the wealth management business of Chinese commercial banks, our liquidity and profitability could be adversely affected.

We are subject to risks associated with off-balance sheet commitments.

We provide certain off-balance sheet commitments to our customers in the ordinary course of business, primarily comprising acceptances, guarantees, letters of credit, loan commitments, operating lease commitments and capital commitments. As of June 30, 2015, our off-balance sheet commitments totaled RMB60,617.9 million. See "Financial Information — Off-Balance Sheet Commitments." We are subject to credit risks associated with these off-balance sheet commitments and are required to provide funds when our customers are unable to honor their obligations. If a customer of letters of guarantee fails to fulfill its obligations as stated in the letters of guarantee to the beneficiaries of such guarantees, we will be obliged to make payments in respect of such letters of guarantee. If we are unable to recover payment from our customers in respect of such off-balance sheet commitments, our financial condition and results of operations may be materially and adversely affected.

We will be exposed to various risks as we expand our range of products and services, and we may not be successful in expanding our fee- and commission-based businesses and other non-interest income businesses.

We have expanded and will continue to expand the products and services we offer to our customers. For example, we have begun to issue credit cards to the general public after obtaining a license from the CBRC in February 2015. We have also obtained an approval from the CBRC in August 2015 to prepare to establish a financial leasing subsidiary and are in the process of such preparation. Our expansion in the range of products and services has and will continue to expose us to new and potentially increasingly challenging market and operational risks. The success of our new products and services will largely be dependent on the following factors:

- our experience and expertise in managing the new products and services;

- our ability to recruit additional qualified staff;

- our ability to provide satisfactory customer service such as providing sufficient products and service information and handling customer complaints;
- acceptance of our new products by our customers;
- our ability to establish an effective management team or to enhance our risk management systems and information technology system to support a broader range of products and services;
- our ability to obtain relevant regulatory approvals or comply with relevant banking regulations in the sales and marketing of our new financial products and services;
- our ability to identify and effectively manage potential risks associated with our products and services; and
- actions of our competitors.

Net interest income has historically been the largest component of our operating income, representing 93.3%, 97.4%, 97.1% and 94.9% of our operating income for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. If we are unable to expand our range of products and services and offer more fee- and commission-based products and other non-interest income products and services, we may continue to rely heavily on interest income, and may face pressure from greater competition among banks for interest income and lower net interest margins from any future interest rate liberalization measures. See "— Risks Relating to the PRC Banking Industry — Interest rate liberalization, the PBOC's adjustments to the benchmark interest rates, deposit insurance program and other risks arising from the regulatory changes in the PRC banking industry may materially and adversely affect our results of operations." As a result, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to satisfy the regulatory requirements on capital adequacy.

Prior to January 1, 2013, commercial banks were subject to capital adequacy guidelines set by the CBRC, which required commercial banks to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%. Since January 1, 2013, pursuant to the New Capital Adequacy Measures promulgated by the CBRC on June 7, 2012, commercial banks are required to maintain a minimum core tier-one capital adequacy ratio of 5%, a minimum tier-one capital adequacy ratio of 6% and a minimum capital adequacy ratio of 8%. Moreover, commercial banks must also have a capital conservation buffer until it reaches 2.5% of risk-weighted assets in addition to the minimum capital requirement. Under specific circumstances, commercial banks must set aside capital as a counter-cyclical capital buffer of up to 2.5% of risk-weighted assets in addition to the minimum capital requirement and the capital conservation buffer. Commercial banks must be in compliance with the above capital adequacy requirements by the end of 2018. See "Supervision and Regulation — Supervision over Capital Adequacy."

Based on the New Capital Adequacy Measures, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.76%, 9.76% and 10.89%, respectively, as of December 31, 2013, 8.64%, 8.64% and 10.45%, respectively, as of December 31, 2014, and 7.03%, 7.03% and 8.92%, respectively, as of June 30, 2015. We cannot assure you that we will be able to continue to maintain such ratios or meet applicable capital adequacy requirements in the future. The CBRC may increase the minimum capital adequacy requirements or change the methodology for calculating capital adequacy ratios or we may otherwise be subject to new capital adequacy requirements.

Our ability to satisfy the regulatory capital adequacy requirements could be adversely affected as a result of deterioration in our financial condition, including deterioration in the quality of our assets, such as an increase in non-performing loans, or a decline in our profitability. If our growth places capital demands on us in excess of what we are able to generate internally or raise in the capital markets or through alternative means, we may need to seek additional capital, but we may not be able to obtain additional capital on commercially acceptable terms in a timely manner or at all. Our ability to obtain additional capital may also be restricted by a number of factors, including our future business, financial condition, results of operations and cash flows, conditions prescribed by PRC law and regulatory approvals, our credit rating, general market conditions for capital-raising activities by commercial banks and other financial institutions, as well as economic, political and other conditions both within and outside China. We may face increased compliance and capital costs as a result of these capital requirements.

If at any time in the future we fail to meet these capital adequacy requirements, the CBRC may take a series of measures with respect to us, including, for example, imposing restrictions on our lending and investment activities, restricting the growth of our loans and other assets, declining our application to enter new service sectors or restricting our ability to declare or pay dividends. Such measures may materially and adversely affect our business, results of operations and financial condition or our ability to pay dividends.

We may not be able to successfully manage the growth of our business.

Our operating income was RMB3,486.1 million, RMB3,922.1 million, RMB5,794.6 million and RMB4,679.6 million in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our total loans and advances to customers were RMB63,199.1 million, RMB78,273.3 million, RMB88,799.3 million and RMB94,118.4 million, respectively. However, we may not be able to successfully maintain our growth if we fail to offer new products to attract new customers, improve our marketing or expand our sales channels. We also may not succeed in expanding our branch network to establish our brand name in new markets and reach new customers. For cross-regional operations, we are exposed to a series of risks including:

- Failure to satisfy demands of local customers with our existing products or services;

- Inability to rapidly adapt to the local culture and operational practice;

- Insufficient financial, operational, managerial and human resources to support cross-regional business expansion; and

- Failure to enhance the level of our risk management and internal control capabilities, as well as improve our information technology systems in time to cater for the demands of cross-regional operations.

Our growth is closely related to the PRC economy as well as other macroeconomic factors affecting the PRC (and Liaoning in particular), such as GDP growth, the inflation rate and changes in banking and financial industry laws and regulations. We may not be able to successfully maintain our growth rates due to any unfavorable change in one or more of the above factors or other factors.

In addition, the management of our growth requires, and will continue to require, substantial managerial and operational resources. We may not be able to retain and attract qualified personnel to satisfy our growth needs. See "— We may not be able to recruit or retain a sufficient number of qualified staff." We may also need additional capital in the future, and we may not be able to obtain such capital on acceptable terms, or at all, which may result in a lower capital adequacy ratio. See "— We may not be able to satisfy the regulatory requirements on capital adequacy." The occurrence of any of the above factors may materially and adversely affect our business, financial condition and results of operations.

Our current risk management system and internal control systems may not adequately protect us against credit, market, liquidity, operational and other risks.

Our business operations are exposed to a number of risks including credit risk, market risk, liquidity risk and operational risk and therefore it is important for us to establish and maintain a well-designed risk management system. Our risk management capabilities are limited by the information, tools or technologies available to us. For example, we may not be able to effectively monitor credit risk due to limited information resources or tools. In recent years, we have undertaken various initiatives to assist us in better managing our risks. See "Risk Management." However, our ability to successfully operate risk management systems and to monitor and analyze their effectiveness is subject to continuous testing and improvement. The effectiveness of the policies and procedures may be adversely affected by the manipulation of our information technology system. See "— Our business is highly dependent on the proper functioning and improvement of our information technology systems." In addition, there can be no assurance that all of our employees will fully comply with the policies and procedures required by our risk management system. As we diversify our business and product portfolio, our business may be subject to additional risks that we are not able to foresee, or that may not be effectively addressed by our existing risk management system in a timely manner, or at all.

If we are not able to effectively improve our risk management and internal control policies, procedures and systems, or if we are not able to achieve the intended results of such policies, procedures or systems in a timely manner, our asset quality, business, financial condition and results of operations may be materially and adversely affected.

Our business is highly dependent on the proper functioning and improvement of our information technology systems.

Our business is highly dependent on the ability of our information technology systems to support our business development and accurately process a large number of transactions in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between our various branches and our main data processing centers, is critical to our business and our ability to maintain competitiveness. For further information with respect to our information technology systems, see "Business — IT." We cannot guarantee that our operations will not be materially disrupted if there is a partial or complete failure of any of these information technology systems. We are also subject to the risk of telecommunication network or internet breakdowns. Such failures could be caused by, among other things, software bugs, computer virus attacks, conversion errors due to system upgrading, an equipment provider's failure to provide proper system maintenance, or natural disasters. Any security breach caused by unauthorized access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could materially and adversely affect our business, financial condition and results of operations and our reputation.

In addition, our ability to remain competitive will depend in part on our ability to upgrade our information technology system in a timely and cost-effective manner. The information received by us through our existing information technology systems may not be timely or sufficient for us to manage risks and respond to market changes and other developments in our current operating environment. Any failure to improve our information technology systems, upgrade systems or develop new systems effectively or on a timely basis may materially and adversely affect our business, financial condition and results of operations.

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis.

We are required to comply with applicable PRC anti-money laundering and anti-terrorism laws and regulations. These laws and regulations require us to adopt and enforce "know-your-customer'" policies and procedures and to report suspicious and large transactions to the relevant regulatory authorities. In light of the complexity of money-laundering activities and other illegal or improper activities, such policies and procedures may not completely eliminate the possibility that we may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent that we fail to fully comply with such laws and regulations, the relevant government authorities may impose fines and other penalties on us. In addition, our business and reputation could deteriorate if customers manipulate their transactions with us for money laundering or other illegal or improper purposes. See "Risk Management — Operational Risk Management — Anti-Money Laundering (AML)" and "Supervision and Regulation — Risk Management — Anti-Money Laundering Regulation."

We may not be able to detect and prevent all fraud or other misconduct committed by our employees or third parties.

Fraud and other misconduct by our employees or third parties may be difficult to detect or prevent and could subject us to financial losses and sanctions imposed by regulatory authorities as well as seriously damage our reputation. Possible misconduct by our employees includes but is not limited to improper extension of credit, unauthorized business transactions, conduct of business operations in breach of our internal policies and procedures, inappropriate accounting treatment, theft, embezzlement or misappropriation of customer funds and fraud. See "Business — Legal and Regulatory Matters". Possible misconduct by third parties against us includes but is not limited to fraud, theft and robbery. Although we have taken proper measures to prevent fraud and other misconduct by our employees and third parties, we cannot assure you that all our employees will fully comply with our risk management policies and procedures, or that we can always identify and prevent all fraud and other misconduct by our employees and third parties. Future fraud or other misconduct by our employees and third parties could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to recruit or retain a sufficient number of qualified staff.

Our ability to sustain growth and meet future business demands is dependent upon the continued services of our senior management. We also rely on the continued service and performance of our employees as most aspects of our business depend on the quality of our professional staff. The departure of any member of our senior management team or professional staff may have a material adverse effect on our business and results of operations.

Due to the expansion of our business and our increasing range of products and services, we need talented employees and have devoted resources to recruitment and professional training. However, we may face increasing competition in recruiting and retaining qualified personnel, including our senior management, as other banks are competing for the same pool of qualified personnel and our compensation packages may not be as competitive as those of our competitors. In addition, some of our employees are not subject to non-competition agreements and they may resign at any time to join our competitors, and may seek to divert customer relationships that they have developed while working for us. We cannot provide assurance that we will be able to recruit staff in sufficient numbers or with sufficient experience, or that competition in recruitment will not lead to increases in our employment costs. If we fail to recruit or retain a sufficient number of qualified staff, our business, financial condition and results of operations may be materially and adversely affected.

We have not obtained title certificates to some of the properties we occupy and some of our lessors lack relevant title certificates for properties leased to us, which may materially and adversely affect our right to use such properties.

As of the Latest Practicable Date, we owned and occupied 466 properties with an aggregate GFA of approximately 322,307 square meters in the PRC, which we mainly used as outlets and offices. We had obtained building ownership certificates and land use rights certificates for 369 properties with an aggregate GFA of approximately 247,699 square meters. We had also obtained the building ownership certificates for six properties with a total GFA of approximately 5,181 square meters but had not obtained the relevant land use rights certificates because of various local policies. There were 42 properties with an aggregate GFA of 31,504 square meters for which we had obtained building ownership certificates, but had not obtained the relevant land use rights certificates. In addition, we had purchased 49 properties with an aggregate GFA of approximately 37,923 square metres, which had been delivered to us, with their building ownership certificates and land use rights certificates not yet transferred to us. See "Business — Properties". We cannot assure you that our ownership rights would not be adversely affected in respect of properties for which we were unable to obtain the relevant title certificates. If we were forced to relocate any of the operations we conduct on the affected properties, our business operations conducted through these properties may be disrupted, and we may incur additional costs, as a result of such relocation.

As of the Latest Practicable Date, we leased 66 properties with an aggregate GFA of approximately 44,172 square meters, which we mainly use as outlets and offices. Among these properties, nine properties with an aggregate GFA of approximately 2,904 square meters were leased from lessors who were not able to provide the valid title certificates. Our continued leasing and use of such properties may be affected if the lessors fail to own the titles to such properties or obtain such authorization files from property owners. See "Business — Properties". In addition, we cannot assure you that we would be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration, we may be forced to relocate affected branches and sub-branches and incur additional costs associated therewith, and our business, financial condition and results of operations may be adversely affected.

We are subject to various PRC regulatory guidelines and requirements, and our past noncompliance could have adverse impact on our reputation, business, financial condition and results of operations.

We are subject to various laws, regulations, regulatory requirements and guidelines promulgated by the PRC regulatory authorities including, without limitation, the CBRC, the PBOC, the CSRC, the SAFE, the MOF, the SAIC, the CIRC, the NAO and the SAT and/or their respective local branches. These laws, regulations, guidelines and regulatory requirements include approvals for banking products and services, market entry, opening of new branches or sub-branches, taxation and accounting policy, risk management, internal control and pricing. See "Supervision and Regulation". The PRC regulatory authorities carry out regular and specific inspections, examinations and inquiries in respect of our compliance with the legal and regulatory requirements and guidelines relating to our business operations, risk management and internal controls. Fines may be imposed on us if non-compliance has been detected and the PRC regulatory authorities may also direct us to make remedial measures. During the Track Record Period, inspections by the PRC regulatory authorities revealed certain deficiencies and non-compliance with certain legal and regulatory requirements and guidelines mainly in relation to our business operations.

If we are subject to sanctions, fines or other penalties due to our non-compliance with the applicable regulations or guidelines, our business, financial condition, results of operations and reputation could be materially and adversely affected.

We may be involved in legal and other disputes in relation to our business operations from time to time.

We may be involved in legal and other disputes relating to our business operations from time to time due to different reasons. Such disputes generally relate to our attempts to recover debts from borrowers or claims made by our customers or other parties against us. Most of the disputes occur in the course of our ordinary operations. See "Business — Legal and Regulatory Matters." We cannot assure you that these disputes or proceedings will result in judgments that will be favorable to us. We expect that we will continue to be subject to litigation or other disputes in the future, which may result in additional risks and losses. The litigation or other disputes we are involved in from time to time may damage our reputation and increase our operating costs, and may divert resources and the attention of our management from our core business. Adverse judgments in any of the current or future proceedings we are involved in may have a material adverse impact on our reputation, business, financial condition and results of operations.

We are involved in a shareholding dispute litigation and may be materially and adversely affected if the court judgment is unfavorable to us and, in such event, shareholders' shareholdings in us may be diluted.

As of the Latest Practicable Date, we were involved in a shareholding dispute litigation as a defendant. In April 2012, Liaoning Huaqiao Group Company (遼寧華僑集團公司, "**Huaqiao Group**") brought a lawsuit in the Liaoning Provincial Higher People's Court (the "**Court**") against Liaoning Huaqiao Group Co., Ltd. (遼寧華僑集團有限公司, "**Huaqiao Company**") and State-owned No. 777 Factory (國營七七七總廠, "**777 Factory**") on the ground that Huaqiao Company transferred 10.5 million shares of our Bank held by it (the "**Transferred Equity**") to 777 Factory in 2000 (the "**Equity Transfer**") without the knowledge of Huaqiao Group and requested the Court to deliver a verdict that the equity transfer agreement entered into between Huaqiao Company and 777 Factory in 2000 was void and that the Transferred Equity, which was originally held by Huaqiao Group, acquired by 777 Factory was invalid and should be returned along with cash dividends declared in previous years. Such Transferred Equity represented approximately 9.16% of our total share capital as of the end of 2000 and 0.24% of our total share capital as of the Latest Practicable Date due to subsequent dilutions through capital increases.

In July 2012, Huaqiao Group applied to the Court to add our Bank as a joint defendant of the above case. In August 2012, in view of the fact that the Transferred Equity has been further transferred by a court auction to an unrelated party, rendering Huaqiao Group practically unable to obtain the Transferred Equity, Huaqiao Group applied to the Court for additional claims and requested the Court to (i) order us to issue 12-year term warrants with an exercise price of RMB1.00 per share, convertible into such number of shares equalling 9.16% of our total share capital in August 2012, to it and (ii) order 777 Factory and us to jointly indemnify Huaqiao Group in the amount of RMB103.9 million plus

9.16% of our profit recorded in our respective financial statements from 2010 to the effective date of the judgment, which equals approximately RMB595.2 million as of December 31, 2014, based on our audited financial statements under the PRC GAAP. Hypothetically, if we were ordered by the Court to issue warrants to Huaqiao Group as it requested, based on our total number of shares of approximately 3,902.2 million as of August 2012, we would be obliged to issue warrants convertible into approximately 357.4 million Shares, which would represent approximately 7.5% of our total share capital as of the Latest Practicable Date after the hypothetical issue and full exercise of the warrants, rendering Huaqiao Group our single largest shareholder. As of the Latest Practicable Date, the aforesaid litigation had substantially completed trial process and was awaiting the court's judgment. Given that both parties would have the right to appeal within 15 days after receiving the court's judgment according to the PRC Civil Procedural Law, we were not able to estimate accurately as of the Latest Practicable Date as to when the litigation would be finally concluded. For details, please see "Business — Legal and Regulatory Matters — Litigation".

There are inherent uncertainties associated with litigation proceedings. There is no assurance that the judgment of the court will be in our favor or that we will not be materially and adversely affected in the case that the court rules against us. If the court rules against us, we may be obliged to make payments of significant amounts and our shareholding structure may be subject to change, which may in turn have a material and adverse effect on our financial condition and results of operations. Further, if the court orders us to issue warrants to Huaqiao Group, this may lead to a dilution of our Shareholders' shareholdings in us.

There may be potential disputes involving shareholders of our Bank that we are unable to locate.

As of the Latest Practicable Date, we had 2,254 shareholders, including 121 corporate shareholders holding 98.24% of our total share capital and 2,133 individual shareholders holding 1.76% of our total share capital. We have been unable to contact two individual shareholders and verify the ownership of the shares registered under the name of one individual shareholder as of the Latest Practicable Date. The shares held by such shareholders represented approximately 0.004% of the total issued share capital of our Bank in aggregate as of the Latest Practicable Date. We have deposited the shares held by all shareholders, including those we are unable to locate, with Liaoning Equity Trusteeship Service Co., Ltd.. According to Zhong Lun Law Firm, our PRC legal advisor, the existence of the shareholders whom we are unable to locate has no significant adverse impact on the stability of the shareholding structure, control structure and good standing of our Bank. However, we cannot guarantee that there will not be any disputes regarding equity interests raised by such shareholders, such as dispute over the dilution of their shareholding. Any of such disputes or objections may result in negative publicity and reputational damage to us.

Our past practice of enforcing voting restrictions according to the CBRC notice on the pledge of equity interests in commercial banks might be challenged by PRC supervisory authorities and our shareholders, including holders of our H Shares, may be subject to voting restrictions due to their pledge of our shares.

According to the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the "**Notice**") issued by CBRC in November 2013, commercial banks are required to stipulate in their articles of association that, for those shareholders that have pledged 50% or more of their equity interests in the bank, their voting rights at general meetings and the voting rights of directors designated by them at board meetings shall be "subject to restrictions" (the "**Voting Restrictions**"). However, the Notice did not provide clarification or guidance on what restrictions should be imposed or how they should be imposed.

To comply with the Notice, we amended our Articles of Association to include articles on Voting Restrictions, which became effective in November 2014. However, we had not imposed the Voting Restrictions up to and including our annual general meeting held in May 2015 due to the lack of clarification and guidance in the Notice and authoritative interpretation. Since the issue of the Notice and up to the Latest Practicable Date, we had not been notified of any objection or penalties brought against us in this regard by PRC regulatory authorities. Nonetheless, we cannot assure you that the regulatory authorities will not demand we take remedial actions or bring regulatory actions against us due to our practice of enforcing the Voting Restrictions in the past. Such demand and regulatory actions may adversely affect our business operation. In addition, we cannot assure you that we will not be required by regulatory authorities to impose the Voting Restrictions on our Shareholders, including holders of our H Shares, in a manner deemed appropriate by such regulatory authorities which, in extreme cases, may involve suspension of the relevant Shareholders' voting rights.

RISKS RELATING TO THE PRC BANKING INDUSTRY

Interest rate liberalization, the PBOC's adjustments to the benchmark interest rates, deposit insurance program and other risks arising from the regulatory changes in the PRC banking industry may materially and adversely affect our results of operations.

Similar to most Chinese commercial banks, our results of operations depend to a large extent on our net interest income. For the years ended December 31, 2012, 2013 and 2014 and six months ended June 30, 2015, our net interest income represented 93.3%, 97.4%, 97.1% and 94.9%, respectively, of our operating income.

Our net interest income is sensitive to adjustments in the benchmark interest rates set by the PBOC. The PBOC publishes and adjusts benchmark interest rates on loans and deposits from time to time. For example, with effect from November 22, 2014, March 1, 2015, May 11, 2015, June 28, 2015 and August 26, 2015 and October 24, 2015, respectively, the PBOC lowered the benchmark interest rates on RMB-denominated loans and deposits six times. On November 22, 2014, the PBOC allowed financial institutions to set interest rates on RMB-denominated deposits at up to 120% of PBOC benchmark rates, which was increased to 130% and then 150% of PBOC benchmark rates on March 1, 2015 and May 11, 2015, respectively. With effect from August 26, 2015, the PBOC removed the cap on the interest rates on RMB-denominated time deposits with tenors of longer than one year, while the cap on the interest rates on RMB-denominated demand deposits and time deposits with tenors up to one year remain unchanged. With effect from October 24, 2015, the PBOC ceased to set upper limits of RMB-denominated deposit interest rates for commercial banks and rural cooperative financial institutions. On the other hand, the PBOC continues to liberalize the restrictions on interest rates for loans. For example, on July 20, 2013, the PBOC eliminated the minimum interest rate requirements for RMB-denominated loans. See "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits".

The PBOC may further liberalize the existing interest rate restrictions in the future. If the existing regulations were substantially liberalized or eliminated, loan-deposit spreads in the PRC banking industry may further narrow due to market competition, which may materially reduce our net interest income. Furthermore, we cannot assure you that we will be able to diversify our businesses and adjust the composition of our asset and liability portfolios and our pricing mechanism to enable us to effectively respond to the further liberalization of interest rates.

In addition, adjustments made by the PBOC to the benchmark interest rates on loans or deposits, or any changes in market interest rates, may negatively impact our financial condition and results of operations. For example, changes in the PBOC benchmark interest rates could affect the average yield on our interest-earning assets and the average cost on our interest-bearing liabilities to different extents and may narrow our net interest margin, leading to a reduction in our net interest income. See "Financial Information — Factors Affecting Our Results of Operations — Interest Rates" for a detailed analysis on effects of changes in the PBOC benchmark interest rates. In addition, an increase in interest rates for loans could result in increases in the financing costs of our customers, reduce overall demand for loans and increase the risk of customer default, while a reduction in interest rates for deposits could cause our depositors to withdraw their funds from our Bank.

We are also engaged in trading and investment activities involving some financial instruments in the domestic market. As the derivatives market has yet to develop in the PRC, risk management tools available to us for hedging market risks are limited. Income from these activities may fluctuate due to, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates will cause the value of our fixed-rate securities to decrease, which may materially and adversely affect our results of operations and financial condition.

The PRC Deposit Insurance Regulation came into effect on May 1, 2015. It provides protection to each depositor of a failed bank up to RMB500,000. Banks are required to pay premiums for the deposit insurance program, which will increase our operating costs and may therefore adversely affect our financial condition and results of operations.

We face increasingly intense competition in China's banking industry and other investment and financing channels.

The banking industry in China is becoming increasingly competitive. We face competition in all of our principal areas of business from commercial banks where we have operations. We compete principally with the Large Commercial Banks, policy banks and Nationwide Joint-stock Commercial Banks with operations in Liaoning Province and other places we operate. We also face increasing competition from other Chinese commercial banks operating in Liaoning. On July 1, 2013, the General Office of the State Council of the PRC issued the Guidance Letter regarding Financial Support for

Promoting Economic Restructuring and Transformation (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》) (the "**Guidance Letter**"). The Guidance Letter, among other things, encourages investment by private-sector capital in financial institutions and the establishment of privately-owned banks. The Guidance Letter provides a policy direction to the increasing involvement by private-sector capital in the financial industry in China. In March 2014, CBRC announced that a pilot program to establish five privately owned banks in Shanghai, Tianjin, Guangdong and Zhejiang provinces was approved. We may face competition from privately-owned banks in the future.

We compete with our competitors for substantially the same loan, deposit, fee- and commission-based products and services. Such competition may materially and adversely affect our business and future prospects by, for example, reducing our market share in our principal products and services, reducing our fee and commission income, affecting the growth of our loan or deposit portfolios and their related products and services, and increasing competition for soliciting senior management talent and qualified professional personnel. In particular, we may face increasingly intense competition for SME customers as many commercial banks are shifting their focus from large enterprise customers to SME customers.

In addition, we may face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of our customers choose alternative ways of financing to fund their capital needs, this may adversely affect our interest income, which could in turn materially and adversely affect our business, financial condition and results of operations.

In addition to competition from other banks and financial institutions, we also face competition from other forms of investment alternatives in China. In recent years, financial disintermediation, which involves the movement of funds by investors from financial intermediaries such as savings and deposit-taking banks to direct investments, has increased in China, in part due to deposit rates below inflation rates, the further development of financial markets, the diversification, integration and personalization of customer demand, adjustments in social financing structure and other factors. Our deposit customers may elect to convert their funds into stocks, bonds and wealth management products, which may result in a decrease in our total customer deposits, therefore further affecting the level of funds available to us for our lending business to generate net interest income. Meanwhile, financial disintermediation may result in a decrease in enterprise demand for loans, especially for large enterprises, which could materially and adversely affect our business, financial condition and results of operations.

Furthermore, China's traditional banking institutions are also facing new challenges from innovations in financial products and technology, particularly Internet-based financial services platforms. For example, China's private-sector Internet giants are making an aggressive foray into the financial sector, cutting into traditional banking services by offering investment channels and payment solutions that are attracting increasing numbers of individual consumers and investors. Online wealth management products have attracted a significant population of retail investors. Bank profits are also being challenged by the growing popularity of third party online payment platforms, such as Alipay and Tenpay. The rapid growth in e-commerce means that Chinese consumers are now paying for a wide range of goods and services online. While a portion of online transactions are paid for by credit or debit cards issued by banks, third-party payment solutions are becoming predominant in China indicating that Internet companies are playing an increasingly important role in China's payment system. According to iResearch Inc., third-party online payment volume totalled RMB8,076.7 billion in 2014, accounting for an increase of 50.3% from 2013. PRC commercial banks may also face competitions from other types of Internet finance, such as P2P lending and crowdfunding. We cannot assure you that we will successfully meet the challenges from such Internet finance companies and in the event that we were unable to effectively respond to the changes in the competition environment of PRC banking industry, our business, financial condition and results of operations could be materially and adversely affected.

Our business and operations are highly regulated, and we are susceptible to changes in regulation and government policies.

The PRC banking industry is highly regulated and our business could be directly affected by changes in the policies, laws and regulations relating to the PRC banking industry, such as those affecting the specific scope of business in which we can engage, or the specific businesses for which we can charge fees, as well as changes in other governmental policies. We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include but are not limited to the MOF, the NAO, the PBOC, the SAT, the CBRC, the CSRC, the CIRC, the SAFE and their respective local branches, particularly in Liaoning. These regulatory authorities carry out periodic and non-periodic inspections, examinations and inquiries, in respect of our compliance with the laws, regulations, guidelines and regulatory requirements, and have the authority to take related corrective or punitive measures. These laws, regulations, guidelines and regulatory requirements include, among others, approving banking products and services, market entry, opening of new branches or institutions, tax and accounting policies and pricing. Since its establishment in 2003, the CBRC, as the primary banking industry regulator, has promulgated a series of banking regulations and guidelines aimed at improving the operations and risk management of Chinese commercial banks. In particular, as we are a city commercial bank, the CBRC restricts us from expanding beyond our approved geographic region, Liaoning, without specific approval.

The banking regulatory regime in China is currently undergoing significant changes, most of which are applicable to us and may result in additional costs or restrictions to our business. We cannot assure you that such policies, laws and regulations governing the banking industry or the interpretation thereof will not change in the future, and we may not be able to adapt to such changes on a timely basis or at all. Failure to comply with new policies, laws and regulations may result in fines and restrictions relating to our business, which could materially and adversely affect our business, financial condition and results of operations.

The rapid growth of the banking industry in China may not be sustainable.

The banking industry in China has grown significantly in recent years. However, it is uncertain whether the banking industry in China can sustain its current levels of growth. A slowdown in the growth of the PRC economy, other unfavorable macroeconomic development trends in China and other parts of the world could materially and adversely affect the banking industry in China. In addition, the PRC banking industry has historically accumulated a high level of non-performing loans. Although the PRC government has promulgated measures to dispose of the non-performing loans of the large commercial banks and certain other commercial banks and to recapitalize these banks, we cannot assure you that the banking industry in the PRC is free from systemic risks. In addition, the PRC government introduced a stimulus package in recent years which sought to boost China's economy by stimulating domestic spending and demand, which led to a rapid increase in bank loans. However, this rapid increase may have resulted from loans being made to less-qualified customers, and the amount of non-performing loans in the PRC banking industry may gradually rise. Consequently, we cannot assure you that the development and growth of the PRC banking industry will be sustainable. In particular, a slowdown in the economic growth in the PRC may lead to an increased level of non-performing loans in the PRC banking industry, and may reduce the PRC banking industry's ability to reduce the level of non-performing loans quickly. The actual GDP growth rate of the PRC decreased from 7.7% in 2013 to 7.3% in 2014, and may further decrease in 2015. According to CBRC, the non-performing loans of PRC commercial banks increased by 42.3% from RMB592.1 billion as of December 31, 2013 to RMB842.6 billion as of December 31, 2014, and further increased by 29.6% to RMB1,091.9 billion as of June 30, 2015. The NPL ratio of PRC commercial banks increased from 1.00% as of December 31, 2013 to 1.50% as of June 30, 2015. Unsustainable growth in the PRC economy or banking industry in general or any other unfavorable factors may lead to unsustainable growth in the economy and banking industry of the Northeastern China Economic Zone and the Bohai Rim Economic Circle where our business is concentrated, and any resulting slowdown may materially and adversely affect our business, financial condition and results of operations.

Certain PRC regulations limit our ability to diversify our investments.

As a result of current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited number of products permitted for Chinese commercial banks, such as bills issued by the PBOC, treasury bonds issued by the MOF, financial bonds issued by domestic policy banks, bonds issued by other commercial banks, and medium-term bills and corporate bonds issued by qualified domestic corporations. These restrictions on our ability to diversify our investment portfolio limit our ability to seek returns on our investments in a way comparable with those of banks in other countries or to manage our asset-liability liquidity in the same manner as banks in other countries. A decrease in the value of any of our RMB-denominated investment assets could have a material adverse effect on our business, financial condition and results of operations.

Liquidity risk of the PRC banking industry could significantly increase our borrowing costs and materially and adversely affect our liquidity as well as our financial condition.

We rely on the inter-bank money market to obtain a portion of our funding, including the portion of funds which are used to manage our liquidity. As of December 31, 2014, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements accounted for 40.8% of our total liabilities. Any fluctuation in liquidity or funding costs on the inter-bank money market, including those fluctuations as a result of financial or other crises, or changes in the central bank's policies or practices affecting the liquidity of other banking institutions, may materially and adversely affect our ability to fund our business and manage our liquidity through the inter-bank money market at a reasonable cost, or at all.

The market interest rate mechanism based on SHIBOR is gradually developing in the PRC inter-bank market. However, due to the relatively short history of the PRC interbank market, there may be significant volatility in interbank rates, including extreme fluctuations in the short-term interbank rate. We cannot assure you that SHIBOR interest rates will return to the normal range after irregular fluctuations in such rates in the future. Changes in market interest rates reflected by SHIBOR may have a significant impact on our cost of borrowing short-term funds in the interbank market. If the market interest rates rise significantly, it could have a material and adverse effect on our borrowing costs and liquidity.

In addition, severe volatility in market interest rates may also have a significant impact on the value of our assets. For example, a significant increase in market interest rates may lead to a significant decrease in the fair value of our fixed income debt securities held for trading, which will have a material and adverse effect on our financial condition and results of operations.

The effectiveness of our credit risk management is affected by the quality and scope of information available in China.

In recent years, national credit information databases developed by the PBOC have been put into use. However, national credit information databases in China are generally under-developed due to limited availability of information and infrastructure, and therefore such databases are not able to provide complete credit information on many credit applicants. Therefore, we may not be able to assess the credit risk associated with a particular customer based on complete, accurate or reliable information. Without complete, accurate and reliable information and until the full implementation and effective operation of comprehensive national credit databases with respect to corporate and individual borrowers, we have to rely on other publicly available information and our internal resources, which may not be effective. As a result, our ability to effectively manage our credit risk may be reduced, which could in turn materially and adversely affect our business, financial condition and results of operations.

Investments in commercial banks in China are subject to restrictions that may adversely affect the value of your investment.

Investments in commercial banks in China are subject to a number of restrictions. For example, prior approval from the regulatory authority for the PRC banking industry is required for any person or entity to hold 5% or more of the total capital or total shares of a commercial bank in China, unless otherwise required by the approval authority. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining prior approval from the regulatory authority for the PRC banking industry, such shareholder may be subject to sanctions by the regulatory authority for the PRC banking industry, which include, among other things, correction of such misconduct, confiscation of illegal gains or fines. In addition, under the PRC Company Law, we may not extend any loans that use our shares as collateral. However, pursuant to the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) which came into effective on July 19, 2013, a shareholder may pledge our shares as collateral for itself or a third party to lenders other than us, provided that they give prior notice to our Board and abide by relevant laws and regulations. Nevertheless, shareholders who have outstanding loans from us exceeding the audited net value of our shares held by them at the end of the previous fiscal year are not permitted to pledge our shares. Our shareholders (especially the major shareholders) and our Directors designated by them are restricted from voting in shareholders' general meetings and board meetings, respectively, if such shareholders fail to repay outstanding borrowing when due. Changes in restrictions on shareholding imposed by the PRC government in the future may materially and adversely affect the value of your investment.

IFRS 9 on its application may require us to change our provisioning practice for impairment of financial assets.

We currently assess the impairment of our loans and investment assets under IAS 39. The determination of impairment requires our management to exercise significant judgment and discretion. See "Financial Information — Significant Accounting Estimates and Judgments". The International Accounting Standards Board, or IASB, which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments in November 2009, October 2010 and July 2014, which will take effect on January 1, 2018 and replace the information related with classification, measurement and derecognising of financial assets and financial liabilities under IAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. We may change our current provisioning practice in the future in accordance with IFRS 9 and its amendments, and any other future amendments to IAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, which could in turn materially affect our business, financial condition and results of operations.

Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

We classify our loans using a five-category loan risk classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are normal, special mention, substandard, doubtful and loss. During the relevant assessment, we determine and recognize provisions by using the concept of impairment under IAS 39. Our loan classification and provisioning policies may be different in certain respects from those for banks incorporated in certain other countries or regions. As a result, our loan classification as well as our allowance for impairment losses, as determined under our loan classification and provisioning policies, may differ from those that could be reported if we were incorporated in those countries or regions.

Our business, financial condition, results of operations, prospects and the value of your investment may be adversely affected as a result of negative media coverage of China's banking industry.

China's banking industry continues to be covered extensively and critically by various news media. Historically, incidents of fraud and issues relating to high levels of non-performing loans, loan quality, capital adequacy, solvency, internal controls and risk management have been reported by the media. Negative coverage, whether or not accurate and whether or not applicable to us, may have a material adverse effect on our reputation and consequently may undermine depositor and investor confidence. Our business, financial condition, results of operations and prospects and the value of your investment may be materially and adversely affected as a result.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC, as well as government policies, could affect our business, financial condition, results of operations and prospects.

Substantially all of our business and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects are affected by the economic, political and legal developments in the PRC. In particular, the PRC government continues to exercise significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in reforming the economy, reducing state ownership of productive assets and establishing corporate governance in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall economy of the PRC, but may have an adverse effect on us. For example, our operating results may be adversely affected by government control over capital investments or changes in applicable tax regulations.

In addition to its authority to participate directly in the marketplace, the PRC government has the power to implement macroeconomic policy measures affecting the economy of the PRC on a broader scale, including adjusting the benchmark interest rate and statutory deposit reserve ratio applicable to commercial banks in the PRC, implementing lending restrictions (including restrictions on release of personal mortgage loans and real estate loans to developers to curb the overheated real estate market), as well as issuance of guidelines for industry development to promote or limit the growth of certain industries in China. Changes in macroeconomic and other conditions as a result of PRC government policies and actions will affect our business and operations as well as our financial performance.

Adverse developments in the PRC economy or an economic slowdown in the PRC may reduce the demand for our products and services.

We conduct most of our business and generate substantially all of our revenues in the PRC. As a result, economic developments in the PRC have a significant effect on our financial condition and results of operations, as well as our prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the economic growth of the PRC experienced a marked slowdown during the global financial crisis that unfolded in 2008, which has continued in the past few years. For example, the actual GDP growth rate of the PRC decreased from 11.4% in 2007 to 7.7% in 2013 and 7.3% in 2014. The global economy may continue to experience uneven growth in the future, which may continue to have an adverse impact on the PRC economy. Any significant slowdown in the PRC economy may have a material adverse effect on the PRC banking industry as well as our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or counterparties could become delinquent in respect of their loan repayments or other obligations to us, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses on loans and write-offs, all of which would materially reduce our net profit;

- the value of our investments may significantly decline, which could materially and adversely affect our liquidity position and capital adequacy; and

- trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in business activities.

Factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC banking industry and ultimately, the profitability of our business.

We are subject to PRC government controls on currency conversion, and the fluctuation of the RMB may materially and adversely affect our business and our ability to pay dividends to holders of H Shares.

We receive substantially all of our revenues in RMB, which is currently not a fully freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing laws and regulations on foreign exchange, following the completion of the Global Offering, we will be able to undertake foreign exchange transactions under current account by complying with certain procedural requirements, including the payment of dividends in foreign currencies without prior approval from the SAFE. According to relevant notice promulgated by SAFE in 2014, in case that the dividends to be paid outside the PRC are less than or equal to USD50,000, relevant transaction documents and evidences will in principle not be reviewed when conducting such payments; in case that the dividends to be paid outside the PRC are more than USD50,000, the payments shall be conducted by presenting, among others, written resolutions of the board of directors approving profit distribution, and original copies of tax filing forms. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the RMB against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. On July 21, 2005, the PRC government adopted a managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. On the same day, the value of the RMB appreciated by approximately 2% against the U.S. dollar. The PRC government has since made further adjustments to the exchange rate system. The PBOC further enlarged the floating band for the trading prices on the interbank spot exchange market of the RMB against the U.S. dollar to 1.0% around the median rate on April 16, 2012. On March 17, 2014, the PBOC decided to further enlarge the floating band for the trading prices on the interbank spot exchange market of RMB against U.S. dollar to 2.0%. On August 11, 2015, the PBOC announced to improve the central parity of RMB against U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity of RMB against the U.S. dollar depreciated by nearly 2% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system.

Any appreciation of the RMB against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency denominated assets. Conversely, any devaluation of the RMB may adversely affect the value of, and any dividends payable on, our H shares in foreign currency. Any appreciation of the RMB against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of our customers, particularly those deriving substantial income from exporting products or engaging in the related businesses, and in turn their abilities to service their obligations to us. Furthermore, we are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Holders of H Shares may be subject to PRC taxation.

Dividends paid by us to non-resident individual holders of our H Shares are subject to individual income tax. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa 1993 No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) promulgated by the State Administration of Taxation on June 28, 2011, dividends paid by domestic non-foreign invested enterprises which have issued shares in Hong Kong are subject to PRC individual income tax at the rate of 5-20% (generally 10%), and the specific tax rate will be determined by the applicable tax treaties between the PRC and the jurisdiction where the non-resident individual shareholder resides. If there is no tax treaty between the PRC and the jurisdiction where the non-resident individual shareholder resides, the relevant dividends are subject to PRC individual income tax at the rate of 20%. If a tax of more than 10% and less than 20% is prescribed in the tax treaty between the PRC and the jurisdiction where the non-resident individual shareholder resides, the relevant dividends are subject to PRC individual income tax according to the tax rate actually prescribed in the treaty. See "Appendix V — Taxation and Foreign Exchange."

In addition, according to the "PRC Individual Income Tax Law" and its Implementation rules, gains realized by non-resident individual holders of equities of PRC enterprises upon sale or otherwise disposal of the equities of PRC enterprises, are subject to PRC individual income tax at a rate of 20%. However, pursuant to the "Notice on Gains Derived by Individuals from Share Transfers Continue to be Exempt from Individual Income Tax" (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) jointly issued by the MOF and the SAT on March 30, 1998, and the "Notice on Matters Concerning on the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Trading Moratorium" (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui 2009 No. 167) jointly issued by the MOF, the SAT and CSRC on December 31, 2009, income derived by individuals from transfer of shares (except for shares with restriction on sale) in companies listed on the stock exchanges within the PRC continues to be exempt from individual income tax. As of the Latest Practicable Date, no legislation has expressly provided that individual income tax shall be levied on gains realized by non-resident individual holders of H share from sale or otherwise disposal of H Shares, and to the best of our knowledge, in practice, no individual income tax has been levied by the PRC tax authorities on such gains so far. If such tax is levied on gains in the future, the value of investments in H Shares by non-resident individual shareholders of H Shares may be materially and adversely affected.

According to the "Enterprise Income Tax Law of the PRC" and its implementation rules, where the non-resident enterprise has no office or premises established in the PRC or the income derived or accrued has no de facto relationship with the office or premises established, such non-resident enterprises shall be subject to 10% enterprise income tax for the income derived from the PRC, and such income shall include dividends received from PRC companies and gains from disposal of equity interests in PRC companies. Such tax rates may be reduced pursuant to the special arrangements or applicable treaties entered into between the PRC and the jurisdiction where the non-resident enterprise domiciles. See "Appendix V — Taxation and Foreign Exchange." As of the Latest Practicable Date, we were not aware of any laws and regulations regarding if and how to collect enterprise income tax for gains realized from the sale or transfer of H Shares by other means by holders of H Shares of non-resident enterprise. If such tax is to be imposed in the future, the value of investments in our H Shares by such non-resident enterprises may be materially and adversely affected. See "Appendix V — Taxation and Foreign Exchange."

Our payment of dividends is subject to restrictions under PRC laws, and dividends distributed in the past may not be indicative of our dividend policy in the future.

Under PRC law and our Articles of Association, dividends may be paid only out of distributable profits. Our profit distribution plan is subject to approval by a shareholders' general meeting. In addition to preparing financial statements in accordance with PRC accounting standards and regulations, we may also prepare financial statements in accordance with international accounting standards or the accounting standards of an overseas listing jurisdiction. Our profit after tax available for distribution for a particular fiscal year shall be the lower of profit after tax as shown in the financial statements prepared under either of the two accounting standards mentioned above. We are prohibited from paying dividends for a given year out of our profit after tax to our shareholders in proportion to their respective shareholdings before making up any accumulated losses of previous years and making appropriations to the statutory surplus reserve, general reserve and discretionary reserve which is approved by the Shareholders' general meeting. As a result, we may not have distributable profits to make dividend distributions to our shareholders, including in respect of periods where we have registered an accounting profit. Any distributable profits not distributed in a given year may be retained and available for distribution in subsequent years. In addition, the CBRC has the discretionary authority to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratio requirements or that has violated certain other PRC banking regulations. For details, see the section headed "Supervision and Regulation — Supervision over Capital Adequacy."

We declared cash dividends of RMB390.2 million, RMB409.7 million and RMB528.3 million for the years ended December 31, 2012, 2013 and 2014, respectively. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size dividends will be paid in the future. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board deems relevant. We may not have sufficient or any profits for dividend distributions in the future, even if our financial statements indicate that our operations have been profitable. See "Financial Information — Dividend Policy."

The PRC legal system could limit the legal protections available to you.

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new and the development of products, investment instruments and environment in the PRC banking industry continue to evolve, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a joint stock company incorporated under the laws of the PRC with limited liability, and substantially all of our assets are located in the PRC. In addition, most of our Directors, supervisors and all of our officers reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our directors, supervisors and officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong SAR Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判决的安排》) (the "**Arrangement**") effective on August 1, 2008, as for an enforceable final judgment made by a PRC court or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a PRC court or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" as mentioned in the present Arrangement refers to agreements clearly stipulated in written form by parties concerned that a PRC court or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. In addition, the Arrangement contains specific definitions of the terms "enforceable final judgment," "certain legal relationship" and "written form." Final judgments that are not compliant with the Arrangement may not be recognized or enforced by a PRC court. Moreover, we cannot assure you that all final judgments that are compliant with the Arrangement will be recognized and effectively enforced by a PRC court.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("**SARS**"), avian influenza, H5N1 influenza, H1N1 influenza or H7N9 influenza, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect economic systems and financial markets. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

Prior to the completion of the Global Offering, no public market has existed for our H Shares. The initial Offer Price range to the public for our H Shares is the result of negotiations between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. There can be no assurance that an active trading market for our H Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline below the initial Offer Price.

The trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The price and trading volume of our H Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices and demand for our products or services could cause large and sudden changes in the volume and price at which our H Shares will trade. In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our H Shares.

Future offerings or sales of our H Shares, including sales of our H Shares by NSSF, could adversely affect the prevailing market price of our H Shares and result in dilution.

Future offerings or sales of our H Shares by us or shareholders in the public market, or the perception that such offerings or sales could occur, may cause the market price of our H Shares to decline. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering" for details of restrictions that may apply to future sales of our H Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares or the perception that such sales or issuances may occur. This could also have a material and adverse effect on our ability to raise capital in the future at a time and at a price deemed appropriate. In addition, if we issue additional H Shares in the future, you may experience further dilution.

The H Shares to be converted from Domestic Shares and to be offered by the Selling Shareholders immediately after the Global Offering will amount to 120,000,000 H Shares, representing approximately 2.14% of our total issued share capital assuming the Over-allotment Option is not exercised (or 138,000,000 H Shares, representing approximately 2.39% of our total issued share capital assuming the Over-allotment Option is exercised in full). NSSF has not entered into any undertaking restricting its disposal or resale of these H Shares. Any transfer or disposal of these H Shares by NSSF will result in an increase of the number of H Shares available on the market and may affect the trading price of our H Shares.

Because the Offer Price of our H Shares is higher than our net tangible asset value per share, purchasers of our H Shares in the Global Offering will experience immediate dilution upon such purchase.

The Offer Price of our H Shares is higher than our net tangible asset value per share of the outstanding shares issued to our existing shareholders as of June 30, 2015. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK$4.65 per H Share based on our net tangible asset value per share as of June 30, 2015 (assuming an Offer Price of HK$5.09, which is the mid-point of our indicative Offer Price range, and assuming the Over-allotment Option is not exercised), and our existing shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience a further dilution of their interest if the Joint Bookrunners and the Underwriters exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

We cannot assure you of the accuracy of facts, forecasts and statistics derived from official government publications with respect to China, its economy or its banking industry contained in this prospectus.

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and the PRC and global banking industries, including our market share information, are derived from various governmental sources and information published by various government authorities and departments, such as the PBOC and the CBRC. We believe that these sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or their respective directors or any other person involved in the Global Offering, and no representation is given as to its accuracy. In addition, these facts, forecasts and statistics may not be consistent with information available from other sources, and may not be complete or up to date. In all cases, investors should give consideration as to how much weight or importance they should attached to or place on such official government facts, forecasts or statistics.

There will be a time gap of several business days between pricing and trading of the H Shares offered under the Global Offering.

The Offer Price of the H Shares sold to the public under the Global Offering will be determined on the Price Determination Date. However, trading of the H Shares on the Hong Kong Stock Exchange will not commence until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors of our H shares may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, holders of the H Shares may be subject to the risk that the H Share trading price could fall before trading begins as a result of adverse market conditions or other unfavorable circumstances that may arise during the period between the Price Determination Date and the date on which the dealing begins.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Some of these articles may include, among other things, certain financial information, projections, valuations and other information about the Global Offering that do not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any information that is not sourced from or authorized by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information reported by the press or other media, nor the fairness, appropriateness or reliability of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility for it and you should not rely on it. Accordingly, you should rely solely upon the information contained in this prospectus, the application forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. By applying to purchase the Offer Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than the information contained in this prospectus and the Application Forms.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;

- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and

- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CBRC AND CSRC APPROVALS

We have obtained approvals from the CBRC and the CSRC for the Global Offering and the making of the application to list our H Shares on the Hong Kong Stock Exchange, on September 29, 2014 and May 26, 2015, respectively. In granting such approvals, neither the CSRC nor the CBRC accepts any responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered for subscription and sale solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Selling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Purchase Agreement relating to the International Offering is expected to be entered into on or about Monday, November 30, 2015, subject to determination of the pricing of the Offer Shares. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) by Thursday, December 3, 2015, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. For further details about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), the Global Offering (including the Hong Kong Public Offering) will not become unconditional and will lapse.

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

Each person acquiring the Offer Shares will be required to confirm, or by his acquisition of the Offer Shares will be deemed to confirm, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or exemption therefrom. In particular, the Offer Shares have not been offered and sold, will not be offered or sold, directly or indirectly, in the PRC.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the H Shares which will be converted from Domestic Shares of the Selling Shareholders and which will be sold for the benefit of the NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned shares.

Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized securities approval authorities of the State Council and after satisfying certain procedural requirements.

Except as otherwise disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H Share Register and Stamp Duty

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to stamp duty in Hong Kong. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the H Shares and it is charged on the purchaser on every purchase and on the vendor on every sale of the H Shares.

Dividends Payable to Holders of H Shares

Unless determined otherwise by our Bank, dividends payable in Hong Kong dollars in respect of H Shares will be paid to shareholders as recorded in our H Share register, and sent by ordinary post, at the shareholders' own risk, to the registered address of each shareholder.

H Shares will be Eligible for Admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

Professional Tax Advice Recommended

Applicants for the Hong Kong Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the H Shares. It is emphasized that neither we nor the Selling Shareholders, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners and any of the Underwriters, nor our or their respective directors, officers, employees or agents nor any other person or party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of H Shares resulting from the subscription, purchase, holding, disposal of, dealing in, or exercise of any rights in relation to, the H Shares.

Registration of Subscription, Purchase and Transfer of H Shares

We have instructed Computershare Hong Kong Investor Services Limited, the H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our shareholders, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See Appendix VI — "Summary of Articles of Association" of this prospectus;

(iii) agrees with us and each of our shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his behalf with each of our Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to our shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of the Directors or an existing shareholder of our Bank or a nominee of any of the foregoing.

Procedure for Application for Hong Kong Offer Shares

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" of this prospectus and the Application Forms.

Pledges of shares of our Bank

For the purpose of compliance with the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the "**Notice**") issued by CBRC in November 2013, we require our Shareholders (including holders of our H Shares) to notify us of their pledge of our shares by making prior filings of such pledge with us. Please refer to our website **www.jinzhoubank.com** for details on how to make such filings.

According to the Notice, commercial banks are required to stipulate in their articles of association that, for those shareholders that have pledged 50% or more of their equity interests in the bank, their voting rights at general meetings and the voting rights of directors designated by them at board meetings shall be "subject to restrictions". However, the Notice did not provide clarification or guidance on what restrictions should be imposed or how they should be imposed. In our handling of future Shareholder voting, we intend to comply with the Notice in accordance with the clarification and guidance of regulatory authorities. We cannot assure you that we will not be required by regulatory authorities to impose voting restrictions on our Shareholders, including holders of our H Shares, in a manner deemed appropriate by such regulatory authorities which, in extreme cases, may involve suspension of the relevant Shareholders' voting rights.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the stabilization and the Over-allotment Option are set out in the section headed "Underwriting" in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. Unless we indicate otherwise, the translation of Renminbi into HK dollars was made at the rate of RMB1.00 to HK$1.2150, the exchange prevailing on November 19, 2015, set by PBOC for foreign exchange transactions. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this prospectus has been derived from official government publications. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside China. We have reproduced the data and statistics extracted from such official government publications in a reasonably cautious manner.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE

Rules 8.12 and 19A.15 of the Listing Rules require an issuer to have a sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since our headquarters are located in Liaoning, the PRC, most members of our senior management of the Group are and will be expected to continue to be based in the PRC in close proximity to the Group's headquarters in Liaoning, the PRC. At present, all our executive Directors are not ordinarily resident in Hong Kong. We do not have, and do not contemplate in the foreseeable future, that we will have sufficient management presence in Hong Kong for the purpose of complying with the requirement under Rules 8.12 and 19A.15 of the Listing Rules.

In this regard, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to our Bank from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the following conditions:

1. Our Bank has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Mr. ZHANG Wei, an executive Director and chairman of the Board, and Mr. WANG Jing, an executive Director, assistant to president, secretary to the Board and one of the joint company secretaries of our Bank. Each of Mr. Zhang and Mr. Wang has confirmed that he possesses valid travel documents and can readily travel to Hong Kong to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable time upon request. They will be readily contactable by respective mobile and office phone number, facsimile number (where applicable) and email. Each of the two authorized representatives has been duly authorized to communicate on behalf of our Bank with the Hong Kong Stock Exchange;

2. Both of the authorized representatives have means of contacting all our Directors promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;

3. Our Bank will implement a policy whereby (a) each Director will have to provide his/her mobile, office phone numbers, email address and facsimile number (where applicable) to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he/she travels; and (c) each Director will provide his/her mobile, office phone numbers, email addresses and facsimile number (where applicable) to the Hong Kong Stock Exchange;

4. Our Bank has, in accordance with Rule 3A.19 of the Listing Rules, appointed a compliance adviser, First Shanghai Capital Limited, who will act as an additional channel of communication with the Hong Kong Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and

other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date and ending on the date on which our Bank distributes the annual report for the first financial year following the Listing Date in accordance with Rule 13.46 of the Listing Rules; and

5. All of the Directors who are not ordinarily resident in Hong Kong have confirmed that either they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period, when required. Our Bank will inform the Hong Kong Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the compliance adviser of our Bank in accordance with the Listing Rules.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

In accordance with Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary, by virtue of his/her academic or professional qualifications or relevant experience, who is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The academic or professional qualifications that are acceptable to the Hong Kong Stock Exchange are as follows:

(i). a member of The Hong Kong Institute of Chartered Secretaries;

(ii). a solicitor or barrister (as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong); or

(iii). a certified public accountant (as defined in the Professional Accountants Ordinance, Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. WANG Jing as one of our joint company secretaries. Mr. Wang joined our Bank in January 1997 and has served as our secretary to the Board, head of office of the Board, assistant to president and an executive Director since November 2004, April 2009, April 2013 and March 2015, respectively. He served as a Director from August 2008 to October 2014. Mr. Wang has knowledge about the business operations and corporate culture of our Bank and has experience in the matters relating to the Board and corporate governance of our Bank. However, Mr. Wang does not satisfy the appointment qualifications strictly set out under Rule 3.28 of the Listing Rules. Therefore, we have appointed Ms. LEUNG Wing Han Sharon, who satisfies the qualifications under Rule 3.28 of the Listing Rules, to be the other joint company secretary. Ms. Leung will provide assistance to Mr. Wang for an initial period of three years from the Listing Date to fully satisfy the requirements set out under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Leung will work closely with Mr. Wang in the discharge of their duties and responsibilities as our joint company secretaries and will provide assistance to Mr. Wang to acquire the relevant experience set out under Rule 3.28 of the Listing Rules. In addition, Mr. Wang will participate relevant trainings to improve and promote his knowledge and understanding of the Listing Rules as well as other applicable laws and regulations.

We have submitted our application to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, subject to the condition that the Bank engages Ms. Leung, who meets the requirements under Rule 3.28, as a joint company secretary and to assist Mr. Wang in the discharging his duties as a company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. At the expiry of the three-year period, we will make a further evaluation of Mr. Wang's qualifications and experience to determine whether the requirements set out under Rule 3.28 of the Listing Rules are satisfied. We and Mr. Wang would then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Wang, having had the benefit of Ms. Leung's assistance for three years, will have acquired the relevant experience under Rule 3.28 of the Listing Rules, so that a further waiver will not be necessary.

WAIVER FROM HONG KONG FINANCIAL DISCLOSURE REQUIREMENTS

Rule 4.10 of the Listing Rules requires that the information to be disclosed in respect of Rules 4.04 to 4.09 must be in accordance with best practice under the Companies Ordinance and HKFRS, IFRS or China Accounting Standards for Business Enterprises (企業會計準則) in the case of PRC issuers, and, in the case of banking companies, the "Financial Disclosure by Locally Incorporated Authorized Institutions" ("**FD-1**") from the Supervisory Policy Manual issued by the Hong Kong Monetary Authority ("**HKMA**").

The Banking Disclosure Rules issued by the HKMA replace, inter alia, FD-1 and are applicable to relevant authorized institutions from the beginning of its first financial year commencing on or after January 1, 2007. As we are engaged in banking activities, pursuant to Rule 4.10 of the Listing Rules, the financial information to be disclosed in this prospectus should include information that is required to be disclosed in respect of those specific matters under the Banking Disclosure Rules.

While we intend to comply, to the fullest extent possible, with the disclosure requirements of the Banking Disclosure Rules, we are currently unable to provide certain disclosures required by the Banking Disclosure Rules, due to the following:

(i). such disclosure requires data which cannot practically be obtained by us or information which is currently unavailable to us and we believe that such information is immaterial to potential investors of the Global Offering; or

(ii). such disclosure involves data compiled in accordance with the regulatory requirements of the CBRC which in some circumstances differ from those of the HKMA.

However, we will endeavor to collect the relevant information so that we will be in a position to provide such required disclosures under the Banking Disclosure Rules within a reasonable time in the future, as outlined below. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 4.10 of the Listing Rules to the extent our disclosure does not fully comply with the Banking Disclosure Rules and the Companies Ordinance.

Position of our Bank in relation to disclosures under the Banking Disclosure Rules

Section Number	Disclosure Requirements[1]	Reason for a Waiver in relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
47	Sector information	Our Bank maintains a breakdown of loans and advances to customers by industry sectors as set out in the Classification and Codes of National Economic Industries in its loans system for the purpose of filing a return to the CBRC.	For our Bank, all the loans and advances to customers are used in the PRC instead of in Hong Kong. Our Bank is subject to the supervision of the CBRC and maintains a breakdown of loans and advances in industry sectors based on the classification system as prescribed by the CBRC, e.g. loans are categorized into corporate loans and personal loans which are further classified into detailed subcategories by industry/nature. Our Bank has disclosed the loans and advances in industry sectors in accordance with its management reports based on the CBRC classification in Note 19(2) in the financial information section of the Accountants' Report as set out in Appendix I to this prospectus. Our Bank considers that the current disclosure is sufficient to serve HKMA's Banking Disclosure Rules.	N/A
50	An authorized institution shall disclose its non-HK$ currency exposures which arise from trading, non-trading and structural positions in accordance with the return relating to non-HK$ currency positions it submitted to HKMA pursuant to section 63 of the Banking Ordinance in respect of the annual reporting period.	Our Bank's accounts are settled in RMB, which means that our Bank only disclosed non-RMB currency exposures instead of non-HK$ currency exposures.	N/A	N/A
53-64 ..	Additional annual disclosure to be made by an authorized institution using STC approach to calculate its credit risk for non-securitization exposures.	The computation basis for risks is promulgated by the CBRC as set out in the Core Indicators (Provisional).	Our Bank can provide relevant capital structure and adequacy in accordance with the disclosure requirements from the CBRC's requirements. Our Bank believes that such requirements attempt to address similar disclosure purpose as the requirements of the Banking Disclosure Rules.	N/A

Note:

(1) We currently cannot provide the relevant provisions on the disclosures under the Banking Disclosure Rules.

Further to the above, as a financial institution incorporated and based in the PRC, we are required to comply with the requirements promulgated by the CBRC and the PBOC.

Certain provisions in the Banking Disclosure Rules require disclosure in respect of our capital base (in particular, relating to our capital adequacy/shortfall), cross border claims, liquidity ratios, PRC exposures to non-bank counterparties and credit risks. We have maintained and compiled data in such respects in accordance with the similar regulatory requirements of the CBRC and the PBOC. While we believe that the CBRC and PBOC requirements are similar to the requirements of the Banking Disclosure Rules, the two regimes are slightly different. If we were to attempt to comply with such items under the Banking Disclosure Rules in parallel with the CBRC and PBOC regulations, we would be required to carry out unnecessary additional work to compile similar information already required and maintained in accordance with the CBRC and PBOC regulations, and produce duplicative data for the purpose of the Banking Disclosure Rules.

In such circumstances, given that there are comparable CBRC and PBOC regulations covering the requirements of such items under the Banking Disclosure Rules, we propose to disclose information which complies with the CBRC and PBOC regulations in this regard instead of strictly following the disclosure regime provided for under the Banking Disclosure Rules. Our Directors and the Sole Sponsor believe that the information disclosed are sufficient for investors to make their fully informed investment decision notwithstanding the differences between the CBRC and the PBOC requirements and the requirements of the Banking Disclosure Rules.

To enhance comparability of our financial information published in Hong Kong and the PRC, after the completion of the Global Offering, we will publish annual and semi-annual financial reports under IFRS.

WAIVER IN RELATION TO PUBLIC FLOAT

Rules 8.08(1)(a) and (b) of the Listing Rules require that there must be an open market in the securities for which listing is sought and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital.

However, under Rule 8.08(1)(d) of the Listing Rules, subject to certain criteria, the Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in cases where:

(i) the issuer will have an expected market capitalization at the time of listing of over HK$10 billion;

(ii) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(iii) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(iv) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and

(v) a sufficient portion (to be agreed in advance with the Hong Kong Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

As the maximum number of Domestic Shares held by our state-owned shareholders to be sold as Sale Shares has been previously approved by MOF, NSSF and CSRC on November 26, 2014, March 30, 2015 and May 26, 2015, respectively, it is not practicable for us to adjust the maximum number of H Shares to be issued under the Global Offering. We expect to achieve a minimum market capitalization of at least HK$10 billion upon listing and we have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to allow our Bank a lower public float percentage subject to:

(i) the minimum public float should be higher of 23.56% or such percentage after the exercise of the Over-allotment Option; and

(ii) appropriate disclosure of the lower prescribed percentage of public float and confirmation of sufficiency of public float in our successive annual reports after listing.

We expect that we will be able to demonstrate satisfactory compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of the listing. We will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

WAIVER IN RELATION TO OWNERSHIP CONTINUITY AND CONTROL

Rule 8.05(1)(c) of the Listing Rules requires for ownership continuity and control for at least the most recent audited financial year of the issuer.

However, as a city commercial bank and a joint stock company incorporated in the PRC, the shareholder base of our Bank has been diversified since its establishment in 1997. As of the Latest Practicable Date, our Bank has 2,254 shareholders, including 121 corporate shareholders and 2,133 individual shareholders. During the Track Record Period and up to the Latest Practicable Date, our Bank has no controlling shareholder or substantial shareholder, and the direct and indirect shareholding of the single largest shareholder or other shareholders of our Bank has never exceeded

8.04%. Our Bank is managed by a professional Board. None of the shareholders of our Bank can control the Board or has the right to appoint any Directors to the Board on its own, and hence, no shareholder can have significant control or influence over the management of our Bank throughout Track Record Period and up to the Latest Practicable Date.

In this regard, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver to our Bank from strict compliance with the requirements under Rule 8.05(1)(c).

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. ZHANG Wei (張偉先生) *(Chairman)*	Flat 15, Block A Wantong Apartment Shiying South Street Guta District Jinzhou City Liaoning Province PRC	Chinese
Ms. CHEN Man (陳漫女士)	Unit 3-2-1601 Yanlord Riverside Plaza No. 131 Dongma Road Nankai District Tianjin City PRC	Chinese
Ms. ZHAO Jie (趙傑女士)	Flat 10, Block E Wantong Apartment Guta District Jinzhou City Liaoning Province PRC	Chinese
Mr. WANG Jing (王晶先生)	7-III-13, Juhua Li Linghe District Jinzhou City Liaoning Province PRC	Chinese
Ms. WANG Xiaoyu (王曉宇女士)	Flat 65, Block I Wantong Apartment Shiying South Street Guta District Jinzhou City Liaoning Province PRC	Chinese

Name	Residential Address	Nationality
Non-executive Directors		
Mr. LI Dongjun (李東軍先生)	No. 6, Level 15, Unit 1 No. 4 Xiuzhu Street Zhong Shan District Dalian City PRC	Chinese
Mr. ZHANG Caiguang (張財廣先生)	3002 Unit 2 Building No. 14 Court 8 Lize West Street Chaoyang District Beijing City PRC	Chinese
Mr. WU Zhengkui (吳正奎先生)	703 No. 34 Lane 2250 Dongjing Road Shanghai City PRC	Chinese
Ms. GU Jie (顧潔女士)	5-4-902 Dahezhuangyuan No. 3 Suzhou Street Haidian District Beijing City PRC	Chinese
Independent Non-executive Directors		
Mr. JIANG Daxing (蔣大興先生)	310 Level 57 Changchunyuan Haidian District Beijing City PRC	Chinese
Mr. DENG Xiaoyang (鄧小洋先生)	Room 401 No. 124 Wenxiangmingyuan Songjiang District Shanghai City PRC	Chinese

Name	Residential Address	Nationality
Ms. JIA Yuge (賈玉革女士)	2002 Building No. 8 Court 9 Jindianhuayuan Wenhuiyuan North Road Haidian District Beijing City PRC	Chinese
Mr. NIU Sihu (牛似虎先生)	Jiqingli No. 28-45 Linghe District Jinzhou City Liaoning Province PRC	Chinese
Ms. JIANG Jian (姜健女士)	No.22-61 Jingye Bei'an Road Jinzhou City Liaoning Province PRC	Chinese
Mr. CHOON Yew Khee (秦耀奇先生)	27D Block 3 The Waterfront 1 Austin Road West Tsimshatsui Kowloon Hong Kong	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. NING Yongfang (寧永芳先生) *(Chairman of the Board of Supervisors)*	Room 15, Building 9 Xingdadu Section 6 of Nanjing Road Linghe District Jinzhou City Liaoning Province PRC	Chinese
Mr. XU Fei (徐飛先生) *(Vice-chairman of the Board of Supervisors)*	No. 69, Block C Wantong Apartment Shiying South Street Guta District Jinzhou City Liaoning Province PRC	Chinese

Name	Residential Address	Nationality
Ms. LUO Yan (羅岩女士)	No. 75-3 Pingan Lane Guta District Jinzhou City Liaoning Province PRC	Chinese
Ms. SHI Hongmiao (史紅淼女士)	No. 31-4 Jintie Lane Linghe District Jinzhou City Liaoning Province PRC	Chinese
Ms. LI Xiu (李秀女士)	No. 28 Orchid Lane 16K Linghe District Jinzhou City Liaoning Province PRC	Chinese
Mr. TIAN Deying (田德營先生)	4-511 District C Chengzejiayuan Beizhen City Liaoning Province PRC	Chinese
Mr. HE Baosheng (何寶生先生)	No. 14-66 Minzhi Lane Guta District Jinzhou City Liaoning Province PRC	Chinese
Ms. ZHAO Lanying (趙蘭英女士)	23-32 Fifth Section Luoyang Road Linghe District Jinzhou City Liaoning Province PRC	Chinese

Name	Residential Address	Nationality
Mr. JING Fei (靖飛先生)	No. 12-8 District D Jinxiutiandi Lingnan West Lane Taihe District Jinzhou City Liaoning Province PRC	Chinese
Ms. CHEN Yingmei (陳英梅女士)	16-17 Minhe Lane Jiefang Community Linghe District Jinzhou City Liaoning Province PRC	Chinese
Ms. NIE Ying (聶穎女士)	372 No.138-8 Changjiang Street Huanggu District Shenyang City Liaoning Province PRC	Chinese
Ms. LI Tongyu (李彤煜女士)	No. 18-14 Fifth Section Jiefang Road Hangzhou Street Community Linghe District Jinzhou City Liaoning Province PRC	Chinese
Ms. ZHAO Hongxia (趙宏霞女士)	No. 22-28 Manhattan District C Lingyun Lane Taihe District Jinzhou City Liaoning Province PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
Joint Global Coordinators	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom
Joint Bookrunners	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong CMB International Capital Limited Units 1803-4 18/F, Bank of America Tower 12 Harcourt Road, Central Hong Kong

	ABCI Capital Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Joint Lead Managers	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	CMB International Capital Limited Units 1803-4 18/F, Bank of America Tower 12 Harcourt Road, Central Hong Kong
	ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Co-lead Managers	Convoy Investment Services Limited Room C, 24/F, @CONVOY 169 Electric Road North Point Hong Kong
	RHB Securities Hong Kong Limited 12th Floor, World-Wide House 19 Des Voeux Road Central Hong Kong

Legal Advisors to the Bank	*as to Hong Kong law:* Orrick, Herrington & Sutcliffe 43/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
	as to PRC law: Zhong Lun Law Firm 36-37/F, SK Tower 6A Jianguomenwai Avenue Beijing 100022, PRC
Legal Advisors to the Sole Sponsor and the Underwriters	*as to Hong Kong and United States law:* Herbert Smith Freehills 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong
	as to PRC law: Haiwen & Partners 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing 100020, PRC
Reporting Accountants/Auditors	KPMG *Certified Public Accountants* 8/F, Prince's Building 10 Chater Road Hong Kong
Receiving Bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	China Construction Bank (Asia) Corporation Limited 22/F CCB Centre 18 Wang Chiu Road Kowloon Bay Hong Kong
	Wing Lung Bank Limited Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

Registered Address and Address of Headquarters	No. 68 Keji Road Jinzhou City Liaoning Province PRC
Principal Place of Business in Hong Kong	18/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Bank's Website Address	www.jinzhoubank.com *(The contents of the website do not form a part of this prospectus)*
Joint Company Secretaries	Mr. WANG Jing 7-III-13, Juhuali Linghe District Jinzhou City Liaoning Province PRC Ms. LEUNG Wing Han Sharon *(FCS, FICS, FCCA and CPA)* 18/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. ZHANG Wei Flat 15, Block A Wantong Apartment Shiying South Street Guta District Jinzhou City Liaoning Province PRC Mr. WANG Jing 7-III-13, Juhua Li Linghe District Jinzhou City Liaoning Province PRC

Board Committees	**Strategy Committee** Mr. ZHANG Wei *(Chairman)* Ms. CHEN Man Ms. JIA Yuge
	Audit Committee Mr. DENG Xiaoyang *(Chairman)* Mr. NIU Sihu Ms. JIANG Jian
	Nomination and Remuneration Committee Mr. NIU Sihu *(Chairman)* Ms. ZHAO Jie Mr. DENG Xiaoyang
	Related-party Transactions Control Committee Mr. JIANG Daxing *(Chairman)* Ms. CHEN Man Ms. JIANG Jian
	Risk Management Committee Ms. JIA Yuge *(Chairman)* Mr. ZHANG Caiguang Mr. LI Dongjun
Compliance Advisor	First Shanghai Capital Limited 19th Floor, Wing On House 71 Des Voeux Road Central Central Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

This section contains information and statistics on the industry in which our Bank operates. We have extracted and derived such information and statistics, in part, from statistics relating to our Group prepared in accordance with IFRS, and, in part, from various official or publicly available sources where such information and statistics were derived from data prepared in accordance with PRC GAAP or other applicable GAAP or accounting standards that may differ from IFRS in certain significant respects.

We believe that the sources from which this information and statistics are taken are appropriate sources for such information and statistics and we have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics have not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to their accuracy. Accordingly, such information and statistics should not be unduly relied on.

OVERVIEW OF MACROECONOMICS

China's Economy

Since the reform and opening up in 1978, China's economy has grown significantly over the past three decades as a result of the economic reforms introduced by the PRC Government, and became the second largest economy in the world behind the United States in 2010. China's nominal GDP grew at a CAGR of 13.0% from RMB34,563 billion to RMB63,614 billion, between 2009 and 2014 according to the NBSC. The table below sets out China's nominal GDP, per capita GDP, fixed asset investments and total import and export value, as well as the respective CAGRs, for the years indicated.

China	Year ended December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009-2014)
Nominal GDP (in billions of RMB)	34,563	40,890	48,412	53,412	58,802	63,614	13.0%
Per capita GDP (in RMB)	25,963	30,567	36,018	39,544	43,320	46,629	12.4%
Fixed asset investments (in billions of RMB)	22,460	25,168	31,149	37,469	44,629	51,276	18.0%
Total import and export value (in billions of USD)	2,208	2,974	3,642	3,867	4,159	4,303	14.3%

Source: NBSC

Economy of Liaoning Province

Liaoning Province, located in the southern part of Northeastern China, is one of the only two provinces in China that are both coastal and bordering foreign land. As an important old industrial base and one of the pioneers of the opening up and reform, Liaoning Province possesses a wide array of industries and an established industrial economy. The equipment manufacturing industry and raw material industry are particularly well-developed, and Liaoning Province's metallurgy mining, power transmission and transformation, general petrochemical, metal machine tools and other major equipment products as well as steel and petrochemical industries also occupy important positions in China.

Liaoning Province's economy has grown steadily in recent years as a result of the central government's development strategies of revitalization of old industrial bases in Northeastern China and continuous economic restructuring in recent years. In 2014, Liaoning Province's nominal GDP reached RMB2,863 billion, ranking it seventh among provinces in mainland China and representing a CAGR of 13.5% between 2009 and 2014, higher than the CAGR of China's nominal GDP over the same period. In August 2014, the State Council promulgated the "Opinions of the State Council on Several Major Policy Initiatives Recently Supporting the Revitalization of Northeastern China", injecting new energy into the overall revitalization of Northeastern China. The table below sets out Liaoning Province's nominal GDP, per capita GDP, fixed asset investments and total import and export value, as well as the respective CAGRs, for the years indicated.

Liaoning Province	**Year ended December 31,**						**CAGR**
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**(2009-2014)**
Nominal GDP (in billions of RMB)	1,521	1,846	2,223	2,485	2,721	2,863	13.5%
Per capita GDP (in RMB)	35,149	42,355	50,760	56,649	61,996	65,201	13.2%
Fixed asset investments (in billions of RMB)	1,229	1,604	1,773	2,184	2,511	2,473	15.0%
Total import and export value (in billions of USD)	63	81	96	104	114	114	12.6%

Source: NBSC

Economy of Jinzhou City

Jinzhou City is located in the southwest of Liaoning Province and on the eastern part of the West Liaoning Corridor, with a total area of 10,301 square kilometres and coastline of 105 kilometres. By the end of 2014, the city's population was approximately 3.1 million. Jinzhou City is the center city of the western Liaoning economic zone, and a transportation hub connecting Northeastern China and North China, the overlapping region between the Northeastern China Economic Zone and Bohai Rim Economic Circle. Jinzhou City has an excellent geographical location and advanced land, sea and air traffic systems.

Jinzhou City has grown into one of the important economic centres in Liaoning Province, forming an industrial base with the petrochemical, mechatronics, light and textile industries as the pillar industries, and other industries such as paper making, metallurgy, electricity, building materials, pharmaceutical, food, plastic, auto parts, power transmission and transformation equipment. Jinzhou City is also an important port city and commercial center in the Bohai Rim of China, and Jinzhou port is one of the three major ports in Liaoning Province.

According to the Development Plan of Liaoning Coastal Economic Belt, which was approved by the State Council in 2009 for 2009-2020 planning periods, Western Liaoning coastal area (including

Jinzhou City) as a whole development area was incorporated into the national strategies. In 2011, the outline of the 12th Five-Year Plan of Liaoning Province further positioned Jinzhou City as a very large port city in the Bohai Rim, a transportation hub in Northeastern China, and the center city and financial center of the West Liaoning Costal Economic Zone. In 2013, Liaoning Coastal Protection and Utilization Plan required Jinzhou City to be developed into an important economic growth pole of Bohai sea wing of Liaoning coastal zone and an industrial base near the port with international competitiveness. On this basis, the outline of the 12th Five-Year Plan of Jinzhou City clarifies the concrete measures in relation to constructing Jinzhou City into the financial center of Western Liaoning Coastal Economic Zone, including increasing the utilization rate of funds, developing rural banks and new types of consumer loans, particularly strengthening the network construction of the core region of Jinzhou, Binhai New Area and the county (city) and the township (town) financial business, vigorously promoting financial products and services meeting the demands of various levels of customer groups.

Benefiting from geographical advantages and favorable policies described above, Jinzhou has maintained relatively fast economic growth, while residents' income also increased continuously. In 2014, Jinzhou's nominal GDP achieved RMB136 billion, representing a CAGR of 13.3% between 2009 and 2014, higher than the CAGR of the same period of China's nominal GDP by 0.3 percentage points. From 2009 to 2014, Jinzhou's per capita GDP reached RMB44,264, achieving a CAGR of 13.6%, higher than the CAGR of the same period of China's and Liaoning Province's per capita GDP by 1.2 percentage point and 0.4 percentage point, respectively. The table below sets out Jinzhou City's nominal GDP, per capita GDP, fixed asset investments and total import and export value, as well as the respective CAGRs, for the years indicated.

Jinzhou City	**Year ended December 31,**						**CAGR**
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**(2009-2014)**
Nominal GDP (in billions of RMB)...	73	91	112	124	131	136	13.3%
Per capita GDP (in RMB).................	23,413	29,264	35,784	40,002	42,329	44,264	13.6%
Fixed asset investments (in billions of RMB)......................	30	54	65	80	95	97	26.2%
Total import and export value (in billions of USD).......................	1.7	2.3	2.6	3.0	3.6	4.2	20.0%

Source: Jinzhou Bureau of Statistics

In the past few years, Jinzhou City's industrial structure has maintained overall stability. The table below sets out the industrial breakdown of Jinzhou City's GDP for the years indicated.

Jinzhou City	**Year ended December 31,**					
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Primary industries GDP	18.3%	16.6%	15.5%	15.3%	15.2%	14.8%
Secondary industries GDP................	46.1%	47.6%	49.6%	49.6%	47.3%	46.4%
Tertiary industries GDP	35.6%	35.8%	34.9%	35.1%	37.5%	38.8%
Total...	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Jinzhou Bureau of Statistics

OVERVIEW OF BANKING INDUSTRY

Banking Industry in China

Significant and robust financing demand has been generated in China as a result of rapid economic growth, and the banking industry in China has also experienced rapid growth. From 2009 to 2014, the total RMB-denominated loans and deposits of China's banking institutions increased at CAGRs of 15.4% and 13.8%, respectively. On a year-on-year basis, the total amount of RMB denominated loans increased by 19.9%, 14.3%, 15.0%, 14.1% and 13.6%, respectively, from 2009 to 2014. Although the overall growth of RMB-denominated loans has slowed down, the total amount of RMB-denominated loans kept growing at a relatively fast rate of more than 13%. The table below sets out the total RMB-denominated loans and deposits and the total foreign currency-denominated loans and deposits, and the respective CAGRs of China's banking institutions for the years indicated.

China	As of December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009-2014)
Total RMB-denominated loans (in billions of RMB)	39,968	47,920	54,794	62,991	71,896	81,677	15.4%
Total RMB-denominated deposits (in billions of RMB)	59,774	71,823	80,937	91,737	104,385	113,864	13.8%
Total foreign currency-denominated loans (in billions of USD)	380	453	539	684	777	835	17.1%
Total foreign currency-denominated deposits (in billions of USD)	209	229	275	406	439	573	22.4%

Source: PBOC; NBSC

China's banking institutions are generally categorised into Large Commercial Banks, Nationwide Joint-stock Commercial Banks, city commercial banks, rural financial institutions, foreign financial institutions and other banking institutions. The table below sets out the number of institutions, total assets, total equity and profit after tax of the different categories of banking institutions in China as of December 31, 2014.

China	As of December 31, 2014						
		Total assets		Total equity		Profit after tax	
	Number of institutions	Total amount	Market share	Total amount	Market share	Total amount	Market share
	(in billions of RMB, except number of institutions and percentages)						
Large Commercial Banks	5	71,014	41.2%	5,301	43.0%	890	46.2%
Nationwide Joint-stock Commercial Banks	12	31,380	18.2%	1,916	15.6%	321	16.7%
City commercial banks[(1)]	133	18,084	10.5%	1,247	10.1%	186	9.6%
Rural financial institutions[(2)]	2,350	21,316	12.4%	1,520	12.3%	234	12.1%
Foreign financial institutions[(3)]	41	2,792	1.6%	309	2.5%	20	1.0%
Other banking institutions[(4)]	1,548	27,750	16.1%	2,021	16.4%	277	14.4%
Total	**4,089**	**172,336**	**100.0%**	**12,313**	**100.0%**	**1,928**	**100.0%**

Source: CBRC 2014 annual report

Notes:

1. Our Bank is a city commercial bank.

2. Consist of rural credit cooperatives, rural commercial banks and rural cooperative banks.

3. Consist of foreign bank branches, foreign-owned banks, Sino-foreign joint-ventured banks and foreign-owned finance companies and their branches and subsidiaries.

4. Consist of policy banks, China Development Bank, the Postal Savings Bank of China, the Sino-German Bausparkasse, other non-bank financial institutions (including financial asset management companies, finance companies affiliated to corporate enterprises, consumer finance companies, trust companies, financial leasing companies, money brokerage firms, auto financing companies) and new rural financial institutions (including village and township banks, lending companies and rural mutual cooperatives). Total assets, total equity and profit after tax of other financial institutions and their respective market share data in the table only relate to policy banks, China Development Bank, the Postal Savings Bank of China, the Sino-German Bausparkasse, finance companies affiliated to corporate enterprises, consumer finance companies, trust companies, financial leasing companies, money brokerage firms, auto financing companies and new rural financial institutions. The data of a newly opened up private owned bank, and a newly established trust insurance funds company in 2014 were excluded, according to CBRC 2014 annual report.

Banking Industry in Liaoning Province

With the economic development of the region, the banking industry in Liaoning Province has also experienced rapid growth. As of December 31, 2014, the total RMB-denominated loans and deposits of banking institutions in Liaoning Province amounted to RMB3,125 billion and RMB4,113 billion, respectively. From 2009 to 2014, the total RMB-denominated loans and deposits of banking institutions in Liaoning Province increased at CAGRs of 15.0% and 12.6%, respectively.

The table below sets out the total RMB-denominated loans and deposits and the total foreign currency-denominated loans and deposits for banking institutions in Liaoning Province, as well as their respective CAGRs for the years indicated.

Liaoning Province	**As of December 31,**						**CAGR**
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**(2009 to 2014)**
Total RMB-denominated loans (in billions of RMB)	1,555	1,869	2,162	2,473	2,794	3,125	15.0%
Total RMB-denominated deposits (in billions of RMB)	2,276	2,737	3,022	3,457	3,867	4,113	12.6%
Total foreign currency- denominated loans (in billions of USD)	10	14	19	25	29	29	24.1%
Total foreign currency- denominated deposits (in billions of USD)	9	10	10	12	12	15	11.6%

Source: PBOC

The table below sets out certain information relating to total assets, total liabilities and net profit of the different categories of banking institutions in Liaoning Province as of December 31, 2014.

Liaoning Province	As of December 31, 2014						
		Total assets		Total liabilities		Net profit	
	Number of institutions[1]	Total amount	Market share	Total amount	Market share	Total amount	Market share
	(in billions of RMB, except number of institutions and percentages)						
Large Commercial Banks..........	5	1,902.2	32.89%	1,870.6	33.65%	21.9	36.20%
Nationwide Joint-stock Commercial Banks................	11	959.7	16.59%	944.3	16.99%	10.2	16.86%
City commercial banks [2]	15	1,477.3	25.54%	1,364.3	24.54%	13.6	22.48%
Rural financial institutions	127	498.7	8.62%	460.6	8.29%	3.4	5.62%
Foreign financial institutions....	19	57.0	0.99%	51.0	0.92%	0.8	1.32%
Other banking institutions	11	889.1	15.37%	868.2	15.62%	10.6	17.52%
Total.......................................	**188**	**5,783.9**	**100.0%**	**5,558.8**	**100.00%**	**60.5**	**100.00%**

Source: CBRC Liaoning Bureau

Notes:

1. Including institutions incorporated or with branches established in Liaoning Province.
2. Our Bank is a city commercial bank, being one of 15 city commercial banks in Liaoning Province.

The table below sets out certain information relating to total assets, total equity and net profit of top ten city commercial banks established in Liaoning Province (except for Bank of Dalian[1]) as of December 31, 2014.

Liaoning Province	As of December 31, 2014		
	Total assets	Total equity	Net profit
	(in millions of RMB, except number of institutions)		
Shengjing Bank[2]	503,371	36,133	5,424
Our Bank[3]...	250,693	15,877	2,123
Bank of Yingkou[4]	81,637	7,132	1,037
Bank of Liaoyang [4]...	81,581	6,513	824
Bank of Anshan[4]	80,615	6,852	791
Bank of Fuxin[4]	78,564	6,099	714
Bank of Huludao[4]	41,686	3,651	427
Bank of Dandong [4]	41,142	3,655	569
Bank of Fushun[5]	38,810	3,522	573
Bank of Chaoyang[4]	37,716	3,659	364
Total..	**1,235,815**	**93,093**	**12,846**

Source: The companies' annual reports; public information

Note:

1. As of the Latest Practicable Date, Bank of Dalian has not released its annual report for the year ended December 31, 2014 or otherwise published its audited accounts for the year ended December 31, 2014 on its official website and therefore it was excluded from the above table.

2. The financial data for Bank of Shengjing were prepared in accordance with IFRS.
3. In the table, the financial data for our Bank were prepared in accordance with PRC GAAP, which may differ from the financial data of our Bank prepared in accordance with IFRS set out elsewhere in this Prospectus.
4. The company's annual report was prepared in accordance with PRC GAAP.
5. The financial data for Bank of Fushun were based on the financial information for the year ended December 31, 2014 filed by it with Liaoning Administration of Industry and Commerce.

Banking Industry in Jinzhou City

As of December 31, 2014, the total RMB-denominated and foreign currency-denominated loans balance and the total RMB-denominated and foreign currency-denominated deposits balance of banking institutions in Jinzhou City amounted to RMB114 billion and RMB173 billion, respectively. From 2009 to 2014, the total RMB-denominated and foreign currency-denominated loans and the total RMB-denominated and foreign currency-denominated deposits of banking institutions in Jinzhou City increased at CAGRs of 18.0% and 15.1%, respectively.

The table below sets out the total RMB-denominated and foreign currency-denominated loans and the total RMB-denominated and foreign currency-denominated deposits of banking institutions in Jinzhou City as well as their respective CAGRs for the years indicated.

Jinzhou City	For the year ended December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009-2014)
	(in billions of RMB, except percentages)						
Total RMB-denominated and foreign currency-denominated loans	50	60	72	84	99	114	18.0%
Total RMB-denominated and foreign currency-denominated deposits	86	102	114	130	152	173	15.1%

Source: PBOC Jinzhou Central Sub-branch

The table below sets out certain information relating to total assets, total liabilities, total loans, total deposits and net profit of the different categories of banking institutions in Jinzhou City and that of our Bank as of December 31, 2014.

Jinzhou City	As of December 31, 2014										
		Total assets		Total liabilities		Total loans		Total deposits		Net profit	
	Number of institutions(1)	Total amount	Market share	Total amount	Market share	Total amount	Market share	Total amount	Market share	Total amount	Market share
	(in billions of RMB, except numbers of institutions and percentages)										
Our Bank(2)	5	186.6	62.6%	172.2	61.4%	52.1	45.8%	73.1	42.9%	0.43	35.5%
Large Commercial Banks	5	57.8	19.4%	56.4	20.1%	33.1	29.1%	53.8	31.5%	0.59	48.8%
Nationwide Joint-stock Commercial Banks	2	4.0	1.3%	4.0	1.4%	2.9	2.5%	2.3	1.4%	0.0	0.0%
City commercial banks (3)	1	0.8	0.3%	0.8	0.3%	0.4	0.4%	0.8	0.5%	0.0	0.0%
Rural financial institutions(4)	7	31.3	10.5%	29.5	10.5%	17.0	14.9%	28.6	16.8%	0.01	0.8%
Foreign financial institutions	0	—	—	—	—	—	—	—	—	—	—
Other banking institutions (5)	2	17.9	6.0%	17.8	6.3%	8.3	7.3%	12.0	7.0%	0.18	14.9%
Total	**22**	**298.4**	**100.0%**	**280.7**	**100.0%**	**113.8**	**100.0%**	**170.6**	**100.0%**	**1.21**	**100.0%**

Source: CBRC Jinzhou Bureau

Notes:

1. Including institutions incorporated or with branches established in Jinzhou.
2. Including Jinzhou Branch of our Bank and its four village and township bank subsidiaries. In the table, the data for our Bank are prepared in accordance with PRC GAAP, which may differ from financial data of our Bank prepared in accordance with IFRS set out in elsewhere in this prospectus.
3. Excluding our Bank.
4. Including rural commercial banks, rural credit cooperatives and their village and township bank subsidiaries and excluding the four village and township bank subsidiaries of our Bank.
5. Including the Postal Savings Bank of China and policy banks.

Our Position in the Industry

As of December 31, 2014, our Bank's total assets, total equity and net profit were approximately RMB250.7 billion, RMB15.9 billion and RMB2.1 billion, respectively. We were the second largest city commercial bank in Liaoning Province (excluding Bank of Dalian) in terms of total assets as of December 31, 2014 and net profit in 2014. As of December 31, 2014, according to CBRC, we were the largest bank in Jinzhou in terms of loans and deposits. According to the CBRC Confirmation dated 17 June 2015, we were the only city commercial bank headquartered in Jinzhou as of the date of the confirmation. Our Bank's total loans accounted for 45.8% of total loans of Jinzhou City and our total deposits accounted for 42.9% of total deposits in Jinzhou City. We ranked 350th by tier 1 capital as of December 31, 2014 according to the Top 1,000 World Banks ranking list published by *The Banker* in July 2015. In terms of tier 1 capital, a total of 117 PRC banks are included in the list, with us ranking 44th among PRC banks and 18th among PRC city commercial banks.

INDUSTRY TRENDS

Enhanced Industry Fundamentals and Comprehensively Improved Overall Capacities

Since the reform of state-owned commercial banks into joint-stock commercial banks at the end of 2003, the business scale of China banking sector has expanded continuously. It has witnessed significant improvement in the areas of corporate governance, risk management, capital adequacy and profitability. According to the CBRC 2014 annual report, from 2009 to 2014, the total assets of banking institutions in China increased by RMB92,821 billion, representing a CAGR of 16.7%, whilst total equity increased by RMB7,869 billion, representing a CAGR of 22.6%. During the same period, non-performing loan ratios of the commercial banks in China decreased from 1.58% to 1.25%. Despite the recent slowdown in the economic growth in China, the non-performing loan ratio as of the second quarter of 2015 reached 1.50%, which was still within the range of the last six years.

Increasing Role of City Commercial Banks in China's Banking Industry

Different from Large Commercial Banks and Nationwide Joint-stock Commercial Banks, city commercial banks are generally only permitted to provide banking services to institutions and individuals within certain geographic areas. On the basis of the policies and guidelines of regulatory authorities, city commercial banks insist on the differentiated and unique development strategies, take full advantage of their "small, quick and flexible" features, focus on improving the financial service level for small and micro enterprises as well as urban and rural residents, and promote the economic development of county area and local area. In particular, in respect of relieving the financial pressure of SMEs and micro enterprises, such banks should, amongst other factors, make full use of their geographic advantages in handling non-standardised information on small and micro enterprises, and contribute to the development of real economy by amalgamating their own characteristics.

In recent years, city commercial banks in China have achieved rapid development. According to the CBRC 2014 annual report, as of December 31, 2014, there were a total of 133 city commercial banks in China. From 2009 to 2014, all the CAGRs of total assets, total liabilities, total equity and profit after tax of city commercial banks were higher than the CAGR of PRC banking institutions as a whole. According to the CBRC, the total assets of city commercial banks as a percentage of the total assets of the PRC banking institutions, increased from 7.1% as of December 31, 2009 to 10.5% as of December 31, 2014. During the same period, the overall non-performing loan ratio of city commercial banks decreased from 1.3% to 1.2%, which was lower than the average level of commercial banks in China. Although the overall non-performing loan ratio of city commercial banks increased to 1.37% as of the second quarter of 2015, it was still lower than the average level of commercial banks in China. The asset quality of city commercial banks remained stable in general.

The table below sets out certain information relating to city commercial banks in China for the periods indicated:

China	**For the year ended December 31,**						**CAGR**
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**(2009-2014)**
	(in billions of RMB, except percentages)						
Total assets	5,680	7,853	9,985	12,347	15,178	18,084	26.1%
Total equity	359	482	664	808	997	1,247	28.3%
Profit after tax	50	77	108	137	164	186	30.2%
Non-performing loan ratios	1.3%	0.9%	0.8%	0.8%	0.9%	1.2%	N/A

Source: CBRC 2014 annual report; CBRC website

In recent years, certain city commercial banks have been restructured, have introduced strategic investors or have sought initial public offerings in order to strengthen their capital base. For example, in 2007, Bank of Nanjing, Bank of Beijing and Bank of Ningbo completed listing on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, while Bank of Chongqing, Huishang Bank, Harbin Bank and Shengjing Bank were listed on the Hong Kong Stock Exchange in either 2013 or 2014.

Improved and Enhanced Regulation and Supervision

China's banking regulatory authorities have established, and continue to improve and enhance, a prudent regulatory framework and, at the same time, continue to promulgate regulatory measures aimed at strengthening the regulation and supervision of the banking industry. The main measures include:

Enhanced supervision on capital adequacy. New Capital Adequacy Measures promulgated by the CBRC in June 2012 set up a new capital adequacy regulatory system by reference to Basel III to replace Capital Adequacy Measures, and require commercial banks to comply with regulatory requirements on capital adequacy ratio by the end of 2018, subject to certain particular requirements during the transitional period for meeting such targets;

Strengthened prudent supervision and counter-cyclical regulation. Since 2008, against the backdrop of the international financial crisis, the CBRC has promulgated a series of risk management guidance to direct commercial banks to further improve and implement loan classification system, risk rating system, credit reviewing requirements, and strengthened management on credit risk, market risk, liquidity risk and operational risk. In addition, the CBRC has also issued a range of guidelines aimed at encouraging commercial banks to better address the borrowing needs generated by the real economy whilst also effectively managing potential risks, including encouraging lending to small businesses as well as encouraging the extension of mergers and acquisitions loans and project loans;

Intensified regulation on certain industries and customer groups relating to credit business and other particular business categories. The CBRC has issued a series of regulations relating to, among others, the real estate industry, local government financing vehicles, wealth management products and interbank business, which required commercial banks in China to strengthen risk control on such sectors. With respect to interbank business, Circular Regarding Regulation on Interbank Business of Financial Institutions (《關於規範金融機構同業業務的通知》) jointly issued by the PBOC, CBRC, CSRC, CIRC and SAFE in May 2014, specifically defines the types of interbank business, and regulates the corresponding financial accounting and imposes clear restrictions on assets held under resale agreements and non-standardised assets business; and

Improvement of corporate governance. The CBRC has encouraged banks to establish corporate governance structures, such as a board of directors comprising independent directors, an audit committee, a remuneration and nomination committee and other board committees, as well as a supervisory board. Moreover, the CBRC also requires PRC banking institutions to establish an independent internal audit function which has clear policies and procedures.

Enhanced regulation of internet finance. In March 2014, the PBOC suspended two-dimensional code and virtual credit card payments on third-party online payment platforms. According to the report on financial stability in China for 2014 issued by the PBOC in April 2014, the PBOC will enhance the regulation of internet finance to promote the healthy development of the industry.

For more information, please refer to "Supervision and Regulation — History and Development of the Regulatory Framework".

Increasing Banking Services for Small and Micro Enterprises

In recent years, in order to support and promote the economic transformation, the State Council, the PBOC and the CBRC have issued a series of policies and measures to facilitate the transformation and upgrade of financial services for small and micro enterprises. Such policies and measures include the following:

- In March 2013, the CBRC issued the Notice on Advancing the Financial Services for Small Enterprises and Micro Enterprises (《關於深化小微企業金融服務的意見》), which further encouraged commercial banks to improve their standard of services, financial products, financing channels and network coverage for small and micro enterprises. This notice also reinforced the policy that some restrictions on establishing sub-branches in the same city would be loosened for the commercial banks whose credit business for small and micro enterprises complied with certain conditions.

- In August 2013, the General Office of the State Council and the CBRC successively issued the Implementation Opinions on Financial Support to Small and Micro Enterprises Development (《關於金融支持小微企業發展的實施意見》) and the Guiding Opinions on Further Enhancing the Financial Service Work for Small Enterprises and Micro Enterprises (《關於進一步做好小微企業金融服務工作的指導意見》), which specified the supporting policies and measures on service innovation, credit enhancement and information services, direct financing channels and finance and taxation supports, reinforcing banking institutions to ensure that (i) the growth rate of loans extended to small and micro enterprises is not lower than the average growth rate of loans; and (ii) incremental loans to small and micro enterprises are not less than those of the previous year.

- On October 24, 2015, the PBOC further lowered the deposit reserve ratio by 0.5 percentage point to 15.5%. For commercial banks that satisfy prudent operation requirements and with a certain percentage of loans to "Three Rurals" or small and micro enterprises, the deposit reserve ratio is further lowered to 14.0%.

- In July 2014, the CBRC issued the Notice on the Improvement and Innovation of Loan Services for Small and Micro Enterprises to Improve the Financial Service Level of Small and Micro Enterprises (《關於完善和創新小微企業貸款服務提高小微企業金融服務水平的通知》), which encourages banking financial institutions to set reasonable loan maturity for the liquidity of small and micro enterprises, enrich and refine liquidity loan products for small and micro enterprises, actively implement innovative liquidity loan service model. It also requires banking financial institutions to accurately classify loan risks and practically implement risk management for small and micro enterprises with an aim to improve the financial service technology level for small and micro enterprises.

In addition, the growing bargaining power of large corporate borrowers, as a result of the gradual liberalisation of interest rates and the increasing availability of alternative financing sources, has partially caused the banking industry to reinforce its focus on small and micro enterprise banking.

Small and micro enterprise banking has grown rapidly in recent years. As of 31 December 2014, the loan balance to small and micro enterprises reached RMB15.46 trillion, accounting for 30.4% of all corporate loans in China, representing a year-on-year increase of 15.5%, which was 1.9 percentage points higher than the growth rate of all corporate loans during the same period. Small and micro enterprises, in particular micro enterprises and sole proprietors, have always been one of the main business sources of city commercial banks. The commercial banks, which mainly target small and micro enterprises, have realized rapid development in recent years.

With the encouragement of government policies and the active promotions from the banking institutions in China, it is expected that small and micro enterprise banking services will become a more important part of the overall commercial banking business in China.

Increasing Demand for Personal Finance

With the continuous development of the domestic economy, the per capita income of domestic residents have been increasing. According to the National Bureau of Statistics, per capita cash consumption expenditure of urban households in China has increased from RMB6,511 in 2003 to RMB18,023 in 2013, at a CAGR of 10.7%, which indicates the increasing consumption level of domestic residents. Meanwhile, the demand for financial services has gradually increased, with rapid growth in personal credit and personal payment in the banking industry. In addition, the boom of various payment methods, such as online banking business, third-party payment and mobile phone payment, has also contributed to the rapid growth of personal finance business.

The table below sets out the per capita disposable income of domestic urban residents, the total amount of RMB-denominated deposits of urban and rural residents, the total amount of domestic personal RMB-denominated loans and their percentage of total domestic loans for the years indicated:

	For the year ended December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009-2014)
Per capita disposable income of urban residents (RMB)	17,175	19,109	21,810	24,565	26,955	28,844	10.9%
Total amount of RMB-denominated deposits of urban and rural residents (in billions of RMB)	26,077	30,330	34,364	39,955	44,760	48,526	13.2%
Total amount of domestic personal RMB-denominated loans (in billions of RMB)	8,179	11,254	13,601	16,131	19,850	23,141	23.1%
— As a percentage of total domestic loans	20.5%	23.5%	24.9%	25.7%	27.7%	28.4%	N/A

Source: NBSC; PBOC

In addition to the traditional personal finance business, the continuous and sound development of private wealth market in recent years has brought in robust demands for wealth management services in the banking industry in China. According to China Private Wealth Report 2015 (2015中國私人財富報告) jointly issued by Bain & Company and China Merchants Bank, it is estimated that in China, the amount of personal investable assets will increase from RMB39 trillion in 2008 to RMB129 trillion in 2015, at a CAGR of 18.6%, and the population of high-net-worth individuals with personal investable assets of more than RMB10 million will increase from 300,000 in 2008 to 1,260,000 in 2015, at a CAGR of 22.8%. According to Boston Consulting Group, in 2014, the population of wealthy individuals with total assets of more than US$1 million in China ranked the second globally, only behind the USA.

There are large account resources, great public trust and plentiful risk income data accumulation in the domestic banking system. Therefore, banks have advantages to provide customers with value preservation and appreciation for their assets. In view of the rapid growth of household disposable income, an expanding class of wealthy individuals and the growth trend of demand for wealth management services, commercial banks in China have commenced to offer customised and professional services, such as asset management, wealth management services and private banking services, to mid- to high-end customers and high-net-worth individual customers. It is expected that this type of business will have broad growth prospects in the PRC banking industry.

Interest Rate Liberalization, Financial Disintermediation and Further Expansion of Integrated Operation

Interest rate liberalisation is one of the core aspects of PRC economic reform. Historically, interest rates on deposits and loans in China were set by the PBOC, and PRC commercial banks were subject to restrictions established by the PBOC. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalize interest rates and promote a more market-oriented interest rate regime.

As part of the overall reform of the PRC's banking system during the past decade, the PBOC started to gradually adopt a market-based interest rate policy to regulate the market. It increased benchmark interest rates for RMB-denominated loans and deposits of financial institutions nine consecutive times and eight consecutive times, respectively, from October 2004 to December 2007. In response to the changes in the macroeconomic environment in 2008, the benchmark interest rates for RMB-denominated loans and deposits of financial institutions were significantly reduced five consecutive times and four consecutive times, respectively, in the second half of 2008. From October 2010 to July 2011, the benchmark RMB-denominated deposit and lending rates were increased five times. From June 2012 to October 2015, the PBOC lowered the benchmark interest rates for RMB-denominated loans and deposits of financial institutions eight times. Effective from October 24, 2015, the benchmark interest rates for RMB-denominated one-year loans and deposits of financial institutions are 4.35% and 1.5%, respectively.

In addition, the PBOC further relaxed restrictions on the floating rates of deposits rates and removed the lower limit of the floating range of lending interest rates in July 2013. Under the PBOC regulations, effective from May 11, 2015, the highest interest rate commercial banks in China can offer for RMB-denominated deposits is 150% of the relevant PBOC benchmark deposits rate, while lending rates can be determined by the commercial banks themselves (other than personal residential mortgage loans). Since August 26, 2015, the upper limit for RMB-denominated time deposits with a term of over one year (exclusive of one year) is liberated for the commercial banks in the PRC, pursuant to which the financial institutions may determine the deposits interest rate for RMB-denominated time deposits with a term of more than one year at their own discretion with reference to the benchmark time deposit interest rate, while the upper limit for RMB-denominated demand deposits and other term types of RMB-denominated time deposits remains at 150% of the benchmark interest rate. With effect from October 24, 2015, the PBOC ceased to set upper limits of RMB-denominated deposits interest rates for commercial banks and rural cooperative financial institutions. In terms of personal residential mortgage loans, pursuant to a policy promulgated by the PBOC in October 2008 (reiterated again in September 2014), commercial banks are not allowed to extend personal residential mortgage loans with interest rates below 70% of the applicable PBOC benchmark lending rates. With a view to regulating overheating real estate prices and the real estate market, the PRC government issued a series of policies and regulations beginning in December 2009. For example, pursuant to the Notice on Firmly Curbing the Excessive Rise of Housing Prices in Certain Cities promulgated by the State Council on 17 April 2010, the lending rate for a second-home buyer shall not be lower than 110% of the PBOC benchmark lending rate.

On October 24, 2015, the PBOC further lowered the deposit reserve ratio by 0.5 percentage point to 15.5%. For commercial banks that satisfy prudent operation requirements and with a certain percentage of loans to "Three Rurals" or small and micro enterprises, the deposit reserve ratio is further lowered to 14.0%.

On February 17, 2015, the State Council promulgated Regulations on Deposit Insurance (《存款保險條例》) which came into effect on May 1, 2015. Deposit insurance is subject to a maximum settlement limit of RMB500,000. Insured deposits include Renminbi deposits and foreign currency deposits placed with insured institutions. The deposit insurance will further the progress towards interest rate liberalization.

With the less attractive interest rates for deposits, the evolution of financial markets, the diversification, integration and personalization of customer demands and the restructuring of social funding, there has been a trend of financial disintermediation, with depositors transferring funds away from banks and other intermediary financial institutions to make direct investments.

Interest rate liberalization and financial disintermediation have promoted the transformation of the banking industry in China, which was mainly reflected in increasing efforts on financial innovation, gradually expanding business access and enriching business lines. On the one hand, investment banking, wealth management and alternative investment services and other businesses were introduced, and the proportion of income from intermediary business was enhanced. On the other hand, commercial banks commenced to explore integrated business model pursuant to the requirements issued by the CBRC, for example, acquiring other financial licenses through establishing consumer finance companies and financial leasing companies as well as investing in insurance companies. For more information, please refer to "Supervision and Regulation — Pricing of Products and Services".

Increasing Importance of Electronic Banking Services

With the continued development of internet technology and banking information systems in China, commercial banks in China are able to develop new self-service banking products and services through electronic banking systems such as online banking and telephone banking. Through integrating physical and electronic networks and services, banks can provide more convenient traditional banking services and more complex innovative banking products to customers. Electronic banking has opened up a vast new channel for commercial banks in China to expand the scale and coverage of the banking business.

OVERVIEW

The banking industry in the PRC is highly regulated. The principal regulatory authorities in the PRC banking industry include the CBRC and the PBOC. The CBRC is responsible for supervising and regulating banking institutions, and the PBOC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies. The principal laws relating to the PRC banking industry are the PRC Commercial Banking Law, the PRC PBOC Law and the PRC Banking Supervision and Regulatory Law, and the regulations and rules established thereunder.

HISTORY AND DEVELOPMENT OF THE REGULATORY FRAMEWORK

Established on December 1, 1948, the PBOC was initially the primary regulator of the financial industry in the PRC. In January 1986, the State Council issued the Interim Regulations of the PRC on the Supervision of Banks (《中華人民共和國銀行管理暫行條例》), which explicitly provided, for the first time, that the PBOC was the central bank of the PRC and the regulatory authority for the PRC financial industry.

The current regulatory framework of the PRC banking industry began to emerge in 1995 when the PRC PBOC Law and the PRC Commercial Banking Law were issued. The PRC PBOC Law, which was issued in March 1995, provided for the scope of responsibilities and the organisational structure of the PBOC, and authorised the PBOC to administer the Renminbi, implement monetary policies and regulate and supervise the PRC financial industry. The PRC Commercial Banking Law was enacted in May 1995 and set out the fundamental principles of operations for PRC commercial banks.

Since then, the regulatory regime of the PRC banking industry has undergone further significant reform and development. The CBRC was established in April 2003 and took over from the PBOC its role as the primary regulator of the PRC banking industry. The CBRC was mandated to implement reforms, minimise overall risks, promote stability and development and enhance the international competitiveness of the PRC banking industry. In December 2003, the PRC Commercial Banking Law and the PRC PBOC Law were amended. In August 2015, the PRC Commercial Banking Law was further amended and came into effect on October 1, 2015. In addition, on February 1, 2004, the PRC Banking Supervision and Regulatory Law came into effect. The PRC Banking Supervision and Regulatory Law sets out the regulatory functions and responsibilities of the CBRC.

PRINCIPAL REGULATORS

CBRC

Functions and Powers

The CBRC is the principal regulatory authority in the PRC responsible for the supervision and regulation of banking institutions operating within the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives, other deposit-taking financial institutions and policy banks, as well as certain non-bank financial institutions, such as financial asset management companies, trust and investment companies, finance companies, financial leasing companies and other financial institutions which can only be set up with the CBRC's approval. The CBRC is also responsible for the supervision and regulation of the entities established by domestic financial institutions outside the PRC and the overseas operations of such institutions. According to the PRC Banking Supervision and Regulatory Law and relevant regulations, the CBRC's primary regulatory responsibilities include:

- formulating and issuing regulations and rules governing banking institutions and their activities;
- examining and approving the establishment, change and termination of banking institutions and their scope of business, as well as granting banking licences to commercial banks and their branches;
- regulating the business activities of banking institutions, including their products and services offered;
- approving and overseeing qualification requirements for directors and senior management of banking institutions;
- setting prudential guidelines and standards for risk management, internal control, capital adequacy, asset quality, allowance for impairment losses, risk concentration, related party transactions and asset liquidity requirements for banking institutions;
- conducting on-site examinations and off-site surveillance of the business activities and risk levels of banking institutions;
- imposing corrective and punitive measures for violations of applicable banking regulations; and
- drafting and publishing statistics and financial reports of national banking institutions.

Examination and Supervision

In July and August 2009, the CBRC issued the Guiding Opinions on the Off-site Surveillance of City Commercial Banks (《城市商業銀行非現場監管工作指導意見》) and the Guiding Opinions on the On-site Inspection of City Commercial Banks (《城市商業銀行現場檢查指導意見》), respectively, detailing the mechanisms and procedures for the on-site inspection and off-site surveillance of city commercial banks. The CBRC, through its headquarters in Beijing and its bureaus throughout the PRC, monitors the operations of banks and their branches through on-site examinations and off-site surveillance. On-site examinations generally include inspecting a bank's business premises, interviewing its employees, senior management and directors for an explanation of significant issues relating to its operations and risk management, as well as reviewing relevant documents and materials kept by the bank. Off-site surveillance generally includes reviewing various business reports, financial statements and other reports regularly submitted by banks to the CBRC.

If a banking institution is not in compliance with an applicable banking regulation, the CBRC is authorised to impose corrective and punitive measures, including imposing fines, ordering the suspension of certain business activities, imposing restrictions on dividends and other forms of distributions and asset transfers, and suspending the opening of new branches. In extreme cases or when a commercial bank fails to take corrective action within the time period specified by the CBRC, the CBRC may order the banking institution to suspend operations for rectification or may revoke its operating-business licence. In the event of existing or potential credit crisis within a banking institution that may materially affect the legitimate rights of depositors or other clients, the CBRC may assume management control over, or arrange for the restructuring of, such banking institution.

PBOC and Inter-departmental Coordination Joint Meeting for Financial Supervision

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the PRC financial markets. According to the PRC PBOC Law and relevant regulations, the PBOC is empowered to:

- issue and implement orders and regulations in relation to its duties;
- formulate and implement monetary policy in accordance with laws;
- issue Renminbi and administer its circulation;
- regulate the inter-bank lending market and the inter-bank bond market;
- implement foreign exchange controls and regulate the inter-bank foreign exchange market;
- regulate the gold market;
- hold, administer and manage state reserves of foreign exchange and gold;
- manage the national treasury;
- safeguard the normal operation of payment and clearing systems;
- guide and orchestrate the financial industry in its anti-money laundering activities and take responsibility for monitoring capital in respect of anti-money laundering;
- take responsibility for financial industry statistics, surveys, analyses and forecasts;
- participate in international financial activities in its capacity as the central bank of the PRC; and
- undertake other duties as prescribed by the State Council.

On August 15, 2013, the State Council issued the Reply of the State Council on the Establishment of the Inter-departmental Coordination Joint Meeting System for Financial Supervision (《國務院關於同意建立金融監管協調部際聯席會議制度的批覆》), which aims to build up such system. The PBOC shall take the lead at the joint meetings, with the CBRC, the CSRC, the CIRC and the SAFE being the major members. The NDRC and the MOF may be invited to attend the joint meetings, if necessary.

MOF

The MOF, a ministry under the State Council, is responsible for state finance, taxation, accounting and the management of state-owned financial assets. The MOF regulates the performance review and remuneration mechanism of senior management of state-owned banks, and supervises banks' compliance with the China Accounting Standards for Business Enterprises (《企業會計準則》), as amended, and the Financial Rules for Financial Enterprise (《金融企業財務規則》). The MOF's primary responsibilities include:

- issuing and implementing financial and taxation strategies, plans, policies and reform measures;
- drafting laws, rules and regulations concerning fiscal, financial and accounting management;
- organising international negotiations concerning foreign-related finance and debt agreements;
- managing state-owned financial assets, administering the appraisal of state-owned assets and participating in drafting rules governing state-owned financial assets management; and
- supervising the implementation of financial and tax rules and policies, reporting critical issues in the management of fiscal revenue and expenditure and managing the financial supervision commissioners' office.

Other Regulatory Authorities

In addition to the above regulators, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities, including but not limited to, the SAFE, the SAIC, the CSRC, the CIRC, the NAO and the SAT.

LICENSING REQUIREMENTS

Basic Requirements

The PRC Commercial Banking Law and the Measures of the CBRC for the Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks (《中國銀行業監督管理委員會中資商業銀行行政許可事項實施辦法》), effective from June 5, 2015, set out the permitted scope of business, licensing standards and other requirements in respect of city commercial banks. The establishment of a city commercial bank requires the CBRC's approval and issuance of an operating license. In general, the CBRC will not approve an application to establish a city commercial bank unless certain conditions are satisfied, including, amongst others, that:

- the articles of association of the proposed commercial bank are in compliance with the relevant requirements of the PRC Company Law and the PRC Commercial Banking Law;
- in accordance with the minimum requirement of registered capital under the PRC Commercial Banking Law, which is RMB100 million for a city commercial bank which amount is required to be fully paid up;
- the directors and senior management of the proposed commercial bank possess the requisite qualifications and the proposed city commercial bank has qualified practitioners who are familiar with the banking business;
- the organisational structure and management system of the proposed commercial bank is sound and effective;
- the business premises, safety and security measures and other facilities of the proposed commercial bank is commensurate with its business operation; and
- the commercial bank to be established has set up a sound information technology structure which (i) matches, and is necessary to support, its business operations, (ii) is safe, (iii) complies with the relevant laws and regulations and (iv) possesses the technologies and measures to ensure its effectiveness and safety.

Significant Changes

City commercial banks are required to obtain the CBRC or its branches' approval to undertake significant changes, including:

- change of name;
- change of registered capital;
- change of domicile of headquarters;
- change of business scope;
- change of form of organisation;
- changes of shareholders who own 5% or more of their total capital or total shares;
- amendment to the articles of association;

- merger or division; and
- dissolution and liquidation.

In addition, approval of the relevant local offices of the CBRC is required for overseas public offering and listing of shares of city commercial banks.

Establishment of Branches

Branches in the province (autonomous regions, directly administered municipalities) where their headquarters is located

To establish a local branch, a city commercial bank must apply to the relevant local offices of the CBRC in the province (autonomous regions, directly administered municipalities) where it is registered for approval and issuance of a finance license. The total working capital appropriated by a commercial bank to each of its branches must not exceed 60% of its total capital.

According to the Opinions on the Adjustment to the Market Access Policy for Branches and Sub-branches of Small and Medium Commercial Banks (Provisional) (Yin Jian Ban Fa [2009] No.143) (《關於中小商業銀行分支機構市場准入政策的調整意見(試行)》(銀監辦發[2009]143號)) promulgated and implemented by the General Office of CBRC on April 16, 2009, it was provided that a uniform standard of working capital requirements would not be set for branches and sub-branches established by joint-stock commercial banks and city commercial banks, instead the working capital requirement should be coordinated, adjusted and allocated by each joint-stock commercial bank or city commercial bank in accordance with its business development and capital management needs.

Branches outside the province (autonomous regions, directly administered municipalities) where their headquarters is located

The CBRC issued the Circular of the General Office of the CBRC on Improving Rural Financial Services in February 2013 (Yin Jian Ban Fa [2013] No.51) (《中國銀監會辦公廳關於做好2013年農村金融服務工作的通知》(銀監辦發[2013]51號)), which allows a city commercial bank to apply for the establishment of branches within its home jurisdiction and adjacent regions with close economic connection but not out of their home provinces for the purpose of curtailing blind expansion.

Overseas Branches

The establishment of overseas branches by a commercial bank is subject to the approval of the relevant local offices of the CBRC. The bank making such application must comply with certain conditions required by the CBRC, including, among others, (1) it has established a good corporate governance structure, as well as sound and effective internal control measures and its business line management and risk management capabilities are suitable for its overseas business development; (2) it has a clear strategy for overseas development; (3) it has sound consolidated management capabilities; (4) its major indicators for prudent controls and management comply with regulatory requirements; (5) in principle, the balance of the equity investment should not exceed 50% of its net assets (on a consolidated basis); (6) it has been profitable for the past three consecutive fiscal years; (7) its total assets exceed RMB100 billion at the end of the year prior to the application; (8) it owns a team of professional staff suitable for its overseas operational environment; and (9) it satisfies other prudent conditions required by the CBRC.

Scope of Business

Under the PRC Commercial Banking Law, commercial banks in the PRC are permitted to engage in the following activities:

- taking deposits from the public;
- extending short-term, medium-term and long-term loans;
- effecting domestic and overseas payment settlements;
- accepting and discounting instruments;
- issuing financial bonds;
- acting as the issuing agent, cashing agent and underwriter of government bonds;
- trading government bonds and financial bonds;
- engaging in interbank lending;
- trading foreign exchange as principal or agent;
- engaging in bank card business;
- providing letters of credit and guarantee services;
- collecting and making payment as agents and acting as insurance agents;
- providing safe deposit box service; and
- other businesses approved by the banking regulatory authorities under the State Council.

Commercial banks in the PRC are required to stipulate their scope of business in their articles of association and submit their articles of association to the CBRC or its branches for approval. Subject to approval by the SAFE, commercial banks can engage in settlement and sales of foreign exchange.

REGULATION OF PRINCIPAL COMMERCIAL BANKING ACTIVITIES

Lending

To control risks relating to the extension of credit, PRC banking regulations require that commercial banks shall, among other things: (i) establish a strict and unified credit risk management system; (ii) establish standard operation procedures for each step in the extension of credit process, including conducting due diligence investigations before granting credit facilities, monitor borrowers' repayment abilities and prepare creditworthiness assessment reports on regular basis; and (iii) make arrangements to appoint qualified risk control officers.

The CBRC has also issued guidelines and measures to control risks in connection with related party loans. See "— Supervision and Regulation — Corporate Governance and Internal Controls — Transactions with Related Parties".

The CBRC and other relevant authorities have issued a number of regulations and rules concerning loans and credit granted which are applicable to all industries. Set out below is a summary of some of these rules and regulations:

- on July 23, 2009, the CBRC issued the Interim Measures for the Administration of Fixed Asset Loans (《固定資產貸款管理暫行法》), which covered areas such as ensuring that loans flow to efficient real economy and major projects, preventing credit risk, optimising lending structure, improving lending management quality of banking institutions, avoiding systematic risk in the banking industry and promoting risk management capabilities of banking institutions; and

- the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), implemented by the CBRC on February 12, 2010, requires commercial banks to establish effective internal control and risk management systems in order to monitor the use of working capital loans and to collect customer information. Commercial banks are required to take reasonable and prudent measures to compute the actual borrowing demand of clients for operating demands and to make sure amounts of loans do not exceed a client's actual capital demand for its business operations. Commercial banks are also required to set out written rules to ensure that working capital loans are used for legitimate purposes. In particular, these loans may not be used for investments into fixed assets and equity investments or for areas or purposes prohibited by applicable laws.

- the Guidelines on Project Financing Business (《項目融資業務指引》) issued by the CBRC on July 18, 2009, which require banking institutions to establish a sound operation flow and risk management mechanism. Banking institutions are required to fully identify and evaluate risks in association with the project construction and operation period, including policy risk, financing risk, completion risk, product market risk, over-budget risk, raw material risk, operational risk, exchange rate risk, environmental risk and other related risks. Banking institutions are also required to focus on borrowers' repayment capability so that they can evaluate risks associated with technical and financial feasibility as well as repayment sources. In addition, banking institutions are required to ensure that borrowers set up a designated account to receive all revenues from projects and to monitor the account and take actions in case of unusual movements;

In addition, the CBRC and other relevant authorities have issued a number of regulations and rules concerning loans and credit granted to certain specific industries and customers in an effort to control the credit risk of PRC commercial banks and/or to realise the objectives of macroeconomic control. Set out below is a summary of some of the rules and regulations applicable to our Bank:

- the Guidelines on the Risk Management of Risks of Credits Granted by Commercial Banks to Group Borrowers (《商業銀行集團客戶授信業務風險管理指引》) issued by the CBRC on October 23, 2003 and amended on June 4, 2010, which require commercial banks to establish a risk management system to control the credit granted to group borrowers, which needs to be filed with the CBRC. If the credit balance to a single group borrower of a commercial bank exceeds 15% of its net capital, the commercial bank is required to adopt measures, including syndicated loans, joint loans and transfer of loans, to diversify risks. In line with its prudential supervision requirement, the CBRC may lower such credit balance ratio;

- the Interim Measures for the Administration of Personal Loans (《個人貸款管理暫行辦法》) issued by the CBRC on February 12, 2010, which require commercial banks to establish an effective full process management mechanism and risk limit management system in connection with the provision of personal loans. These regulations also set out certain conditions in connection with the application for personal loans, such as the requirement that the use of personal loans should comply with relevant laws and policies and that commercial banks are required to specify the purpose for such personal loans;

- the newly revised Guidelines on the Risk Management of Merger and Acquisition Loans Granted by Commercial Banks (《商業銀行併購貸款風險管理指引》) issued by the CBRC on February 10, 2015, which require commercial banks to establish business processes and internal control systems and report to the CBRC before the commencement of merger and acquisition loan business. A commercial bank engaging in the provision of merger and acquisition loans must satisfy the following requirements: (1) it must have a sound risk management system and an effective internal control system; (2) the capital adequacy ratio must not be less than 10%; (3) all other regulatory indicators must satisfy the regulatory requirements; (4) it must have a professional team for due diligence investigation and risk assessment of merger and acquisition loans. These guidelines also require commercial banks to assess the risk of merger and acquisition loans based on the comprehensive analysis of various risks relating to merger and acquisition, such as strategic risk, legal and compliance risk, integration risk, operational risk and financial risk. If cross-border transactions are involved in the merger and acquisition loan granted by a commercial bank, analyses on, among others, sovereign risk, foreign exchange risk and risk of cross-border remittance of funds are also required. The proportion of the total balance of merger and acquisition loans granted by a commercial bank shall not exceed 50% of the net amount of tier 1 capital of the bank during the same period. Commercial banks shall set up a corresponding limit control system for the concentration of merger and acquisition loans classified by individual borrowers, group customers, industry sectors, and states and regions, respectively, in accordance with the respective business development strategies for merger and acquisition loans of the bank, and report to CBRC or its delegated agency. The proportion of the balance of merger and acquisition loans granted by a commercial bank to the same borrower shall not exceed 5% of the net amount of tier 1 capital of the bank during the same period. And the proportion of merger and acquisition loans shall not be higher than 60% of the merger and acquisition consideration. In general, the term of merger and acquisition loans is not more than seven years;

- the Measures for the Administration of Peasant Household Loans (農戶貸款管理辦法) issued by the CBRC on September 17, 2012, which clarify the scope of peasant household loans and encourage banking institutions to develop the business of peasant household loans, formulate relevant operational strategies and enhance risk management capabilities in relation to such loans;

- the Automobile Loan Measures (《汽車貸款管理辦法》) issued by the PBOC and the CBRC on August 16, 2004 and amended on August 4, 2015, which require commercial banks to establish a credit rating system and monitoring system in connection with automobile loans. These regulations also set out certain conditions in relation to applications for such automobile loans. In addition, the regulations state that the amount of automobile loans shall not, in each case, exceed 80% of the price of vehicles for self-use purpose, 70% of the price of vehicles for commercial purpose and 50% of the price of second-hand vehicles. Commercial banks are also required to ensure that borrowers provide security over their vehicles or other valid types of security for automobile loans;

- the Guidelines on the Management of Risks of Real Estate Loans Granted by Commercial banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on August 30, 2004, which require commercial banks to establish standards for the review and approval of real estate loans (including land reservation loans, estate development loans, residential housing loans, and commercial housing loans) and to develop systems of risk management and internal control for the analysis of market risk, legal risk, and operational risk in the real estate loan market. Commercial banks are not allowed to issue real estate development loans to borrowers without land use rights certificates and relevant permissions. The CBRC conducts a periodic inspection of the implementation of the guidelines;

- the Notice of the State Council on Firmly Curbing Excessive Rise of Housing Prices in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) issued by the State Council on April 17, 2010, which, among other things, requires commercial banks to strengthen the pre-lending examination and post-lending management of loans to real estate development enterprises, and prohibits commercial banks from granting new development loans to real estate developers which have land lying idle or which are involved in land speculation activities. The Notice of the General Office of the State Council on Further Working on the Market Regulation and Control of Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) further prohibits commercial banks from making loans to land developers which are engaged in illegal activities such as land-hoarding and price speculation;

- the Notice of the PBOC and the CBRC on Issues Concerning the Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》) issued by the PBOC and the CBRC on September 29, 2010, which implements the Notice of the State Council on Firmly Curbing Excessive Rise of Housing Prices in Some Cities in respect of housing loans. These regulations require all commercial banks not to grant housing loans to families who are purchasing a third or more residential property or to non-local residents who are unable to provide evidence of one or more years' payments of local tax or social security. With respect to a first-time purchase of any commercial residential property, the minimum down payment ratio is set at 30%, whilst the minimum down payment ratio for buyers purchasing a second residential property is 50% whilst the regulations state that the interest rate shall be no less than 110% of the PBOC loan benchmark interest rate as set out in the Notice of the State Council on Firmly Curbing Excessive Rise of Housing Prices in Some Cities. In addition, the Notice of the General Office of the CBRC on Issues concerning the Improvement of Housing Financial Services and the Reinforcement of Risk Management (《中國銀監會辦公廳關於做好住房金融服加强風險管理通知》) issued by the General Office of the CBRC on March 8, 2011, provides that the minimum down payment ratio for buyers purchasing a second residential property will be raised to 60% for housing loans granted after the issuance of the Notice of the General Office of the State Council on Issues concerning Further Enforcing the Regulation and Control of Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有限關問題的通知》). To improve financial services for the construction of affordable housing projects, continue to support reasonable housing consumption of households, and propose the sustainable healthy development of real estate market, the Notice on Improving Housing Financial Services (《關於進一步做好住房金融服務工作的通知》) issued by the PBOC and the CBRC on September 29, 2014 provides that, the term of loans for public rental housing and squatter settlement can be extended to not over 25 years, and for families that make the first-time purchase of any ordinary residential property, the minimum down payment ratio is 30% and the minimum interest rate is 70% of the loan benchmark interest rate, as determined by commercial banks based on risk profiles. For families that already have one property with its loan settled, loan policies for first property applies when they apply for loans to purchase an ordinary commercial residential property to improve living conditions. In cities where "purchase restrictions" have not been implemented or have been removed, families that already have two or more properties purchasing with their loan settled, when they apply for loans to purchase another residential property, commercial banks shall take careful consideration and determine the down payment ratio and interest rate based on various factors, such as the borrowers' solvency and credit status. Commercial banks may issue housing loans to qualified non-local residents according to local development planning of urbanization;

- the Notice of the PBOC, the Ministry of Housing and Urban-Rural Development and the CBRC on Issues Concerning the Housing Loan Policy for Individuals (《關於個人住房貸款政策有關問題的通知》) issued on March 30, 2015, which encourages banking institutions to continue to grant commercial individual loans and portfolio loans of housing provident fund entrusted loans to support households to buy ordinary self-use housing, aiming to further improving individual housing credit policy, supporting demand for resident-use homes and improved housing and promoting stable and healthy development of the real estate market. For households which own a set of housing with corresponding purchase loans outstanding and which further apply for commercial individual housing loans to purchase ordinary housings for improvement of living condition, the minimum ratio of down payment is adjusted to not less than 40%, and the specific ratio of down payment and interest rates is to be reasonably determined by banking institutions based on the credit status and repayment ability of borrows. For households of employees with paid-in housing provident funds which have purchased the first set of ordinary housing, the minimum down payment ratio is 20%. For households of employees with paid-in provident funds which have owned a set of housing with the corresponding purchase loans fully repaid and which further apply for housing provident fund entrusted loans to purchase ordinary housing for improvement of living condition, the minimum ratio of down payment is 30%.

  According to the Notice on Adjusting the Minimum Down Payment Ratio of Housing Provident Fund Loans for Individuals (《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》) issued on August 27, 2015 by the PBOC the Ministry of Housing and Urban-Rural Development and the MOF, since September 1, 2015, for households which own a set of housing with corresponding purchase loans settled and further apply for housing provident fund entrusted loans to purchase ordinary housing for improvement of living condition, the minimum down payment ratio is reduced from 30% to 20%. The minimum down payment ratio for applying for housing provident fund entrusted loans to purchase the second set of ordinary housing in Beijing, Shanghai, Guangzhou and Shenzhen could be determined by the local authorities at their own discretion based on the national unified policy after taking into consideration the actual local circumstances.

  According to the Notice on Issues Concerning the Further Improvement of Differential Housing Credit Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》) issued by the PBOC and the CBRC on September 24, 2015, in cities where "purchase restrictions" have not been implemented, for households which apply for commercial individual housing loans to purchase the first set of housing, the minimum down payment ratio is adjusted to be not less than 25%.

- the Notice on Implementing Several Matters relating to the Circular of the State Council on Relevant Issues Concerning Strengthening the Administration of Local Government Financing Vehicles (《關於貫徹《國務院關於加强地方政府融資平台公司管理有關問題的通知》相關事項的通知》) issued by the MOF, the NDRC, the PBOC and the CBRC on July 30, 2010, the Guiding Opinions of the CBRC on Strengthening the Risk Management of Loans to Financing Vehicles (《中國銀監會關於加強融資平台貸款風險管理的指導意見》)

issued by the CBRC on December 16, 2010, the Notice of Further Implementation of Risk Control and Management of Local Government Financing Vehicles in 2011 (《關於切實做好2011 年地方政府融資平台貸款風險監管工作的通知》) issued by the CBRC on March 31, 2011, the Guiding Opinions of the CBRC on Strengthening the Risk Control and Management of Loans to Local Financing Vehicles in 2012 (《中國銀監會關於加強2012年地方政府融資平台貸款風險監管的指導意見》) issued by the CBRC on March 13, 2012, which require that banking financial institutions strictly implement pre-lending investigation, examination at lending and post-lending inspection systems for loans to Local Government Financing Vehicles (the "**LGFVs**"), prudently grant loans to LGFVs and apply accurate classifications, and implement dynamic adjustment in respect of such loans so as to reflect and assess accurately the risk profile of such loans. Banking financial institutions are also required to consider the debt burdens of local governments and the potential risks and expected losses of loans to LGFVs. The various regulations provide that the allowance for impairment losses is to be provided reasonably and the risk weighting in calculating capital adequacy is to be determined by full coverage, basic coverage, semi-coverage and non-coverage of such loans. In addition, the Guiding Opinions of the CBRC on Strengthening the Risk Control and Management of Loans to Local Financing Vehicles in 2013 (中國銀監會關於加強2013年地方政府融資平台貸款風險監管的指導意見) issued by the CBRC on April 9, 2013, require each bank to impose aggregate loan limits on LGFVs and not to expand the scale of LGFVs, and also provide that, for the LGFVs with a cash flow coverage ratio lower than 100% or an asset-liability ratio higher than 80%, the proportion of their loans to total bank loans to financing vehicles should not exceed that of the previous year. The Opinions on Strengthening the Management of the Debt of Local Government ("Guofa [2014] No. 43",《國務院關於加強地方政府性債務管理的意見》) which was issued and implemented by the State Council on September 21, 2014, provides that the financial institutions shall not provide financing to local government which violate the laws and regulations, and shall not require local government to provide guarantee which violate the laws and regulations. Financial institutions which purchasing local government bond shall comply with regulatory requirements, and strictly standardize the credit management of financial institutions which provide financing to legal representative belongs to the government or legal representative with borrowing entity, and the risk identification and risk management shall be implemented practically. For the financial institution providing governmental financing which violates the laws and regulations, it shall assume its own corresponding losses and the responsibilities of the relevant institution and officers shall be liable to laws and regulations such as Commercial Banking Law and Banking Supervision and Regulatory Law.

Pursuant to the Notice of the Opinions on Properly Settle Subsequent Financing of Project Under Construction of Financing Platform Vehicle of Local Government promulgated by the MOF, the PBOC and the CBRC ("Guobanfa [2015] No. 40",《財政部、人民銀行、銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見》) forwarded by the General Office of the State Council and implemented on May 11, 2015 and May 11, 2015 respectively, the banking institutions shall properly settle the subsequent financing of the project under construction of the financing platform vehicle of local, classify deposit and growth rate and implement classification management, carry on financing compliance with the laws and regulations, practically satisfy and boost economic development and prevent the requirements of financial and banking risk. The banking institutions shall support the deposit financing requirements of the project under construction of the financing platform vehicle according to the principle of total deposit control and differential treatment, ensuring orderly implementation of project under construction. The banking institutions shall take account into development and risk prevention, strictly standardize credit management, practically strengthening risk identification and risk control. In respect of the loan of project under construction of financing platform vehicle, the banking institutions shall prudently project the repayment ability of financial platform vehicle and the revenue of the project under construction based on the comprehensive consideration of the solvency ability of local government, which makes its own decision and assumes own risk and practically further implements the management of subsequent financing management. The banking institutions shall sensibly examine the purposes of loan, focus on the supporting the project under construction of financing platform vehicle such as farmland irrigation facility, construction of affordable housing projects and urban transit transportation, which ensure the loans are in line with the development requirement of industry and the development planning of industry park.

- the Guiding Opinions on Further Supporting the Restructuring and Revitalisation of Key Industries and Curbing Over-capacity in Certain Industries through Financial Services (關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見) issued by the PBOC, the CBRC, the CSRC and the CIRC on December 22, 2009, which provide that banking financial institutions should, in compliance with the Notice of the State Council on Ratifying and Forwarding the Several Opinions of the National Development and Reform Commission and Other Ministries on Curbing Over-capacity and Redundant Construction in Certain Industries and Guiding the Sound Development of Industries (國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知), actively cooperate with the national industrial policy and financial control requirements, and should extend credit in compliance with the principle of differential treatment. For enterprises and projects that (i) revitalise key industries; (ii) meet market access requirements; and (iii) comply with the bank's lending policy, the regulations provide that credit extension is to be made in a timely and efficient manner. For those that fail to satisfy these conditions, the regulations provide that credit is not to be extended. For projects in industries with over-capacity, the regulations provide that credit extension is to be strictly examined prior to approval; and

- the Guidelines of Green Credit (綠色信貸指引) issued by the CBRC on January 29, 2012, which require banking financial institutions to support energy saving, emission reduction and environment protection by guarding against the environmental and social risks of their customers. Under the Guidelines, banking financial institutions are required to effectively identify, measure, monitor and control environmental and social risks in their credit business activities, and to establish relevant risk management systems. Banks are also required to explicitly support green credit, formulate targeted guidelines for credit extensions to restricted industries and those with substantial environmental and social risks, carry out differential and dynamic credit extension policies, and implement risk exposure management systems. Specifically, banking financial institutions are required to carry out more thorough due diligence investigations on environmental and social risk by taking into account the characteristics of their customers and are prohibited from granting credit to customers that fail to comply with relevant standards on environmental and social performance. Customers with substantial environmental and social risks are required to submit environmental and social risk reports and the banking financial institutions are required to include specific terms to address those risks in loan agreements. Also, banking financial institutions are required to implement tailor-made post-lending management measures for customers with potentially substantial environmental and social risks, adopt proper mitigating measures in a timely manner and report to regulatory authorities whenever an incident with substantial environmental and social risk occurs.

Encouraging Providing Financing for Small and Micro-Enterprises

In order to improve the provision of financial services to small enterprises, the CBRC issued the Guidance Opinions on Credit Extension to Small Enterprises by Banks (銀行開展小企業授信工作指導意見) on June 29, 2007 and the Guidelines for the Due Diligence by Commercial Banks in Credit Extension to Small Enterprises (Interim) (商業銀行小企業授信工作盡職指引(試行)) on September 26, 2006, which set forth certain requirements for commercial banks in connection with the provision of better financial services to small enterprises, including the establishment of an independent department to engage in such business, employment of professional staff and the application of differentiated credit extension management.

The CBRC issued the Opinions on Enhancing Financial Services for Micro-enterprises (中國銀監會關於深化小微企業金融服務的意見) on March 21, 2013, which requires commercial banks to further improve the financial service system for small and micro-enterprises. In particular, it encourages small and medium-sized banks to scientifically adjust their credit portfolios and focus on supporting the development of small and micro-enterprises and regional economies. The General Office of the State Council of the PRC issued the Guidance Opinions on Financial Support for the Adjustment, Transformation and Upgrading of Economic Structure (國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見) on July 1, 2013 and the Implementation Opinions on Providing Financial Support to the Development of Small and Micro-enterprises (國務院辦公廳關於金融支持小微企業發展的實施意見) on August 8, 2013, which encourage financial institutions to provide comprehensive financial services to support the development of small and micro-enterprises.

In order to promote the provision of financial services for small and micro enterprises by the banking industry, the CBRC issued the Guidance Opinions on Further Improving Financial Services for Small and Micro Enterprises (關於進一步做好小微企業金融服務工作的指導意見) on August 29, 2013, which require commercial banks to actively adjust credit structure, separately list annual credit plans for small and micro enterprises, distribute reasonable tasks to various branches and sub-branches, optimize the performance assessment mechanism and, provided that the business is sustainable and risks are under effective control, such tasks shall be promoted and implemented level-by-level by chief responsible persons. At the same time, financial institutions in the banking industry shall fully utilize the circulation and securitization of credit assets to provide financing support to small and micro enterprises and apply revitalized capital mainly in loans for small and micro enterprises. Commercial banks shall practically increase investments in credit resources and strengthen evaluation efforts for small and micro enterprises so as to achieve the "two no lower" goals, namely, the growth rate of loans to small and micro enterprises shall not be lower than the average growth rate of all kinds of loans, and the increase in volume of loans to small and micro enterprises shall not be lower than that for the same period of the previous year, under the pre-condition of controllable risks and in accordance with their own market positioning and development strategies. A commercial bank will only be entitled to benefit from the preferential policies provided pursuant to the Notice on Supporting Commercial Banks in Further Improving Financial Services for Small Enterprises (Yin Jian Fa No. [2011] 59) (關於支持商業銀行進一步改進小企業金融服務的通知)(銀監發[2011] 59號), the Supplementary Notice on Supporting Commercial Banks to Further Improve Financial Services for Small and Micro Enterprises (Yin Jian Fa No. [2011] 94) (關於支持商業銀行進一步改進小型微型企業金融服務的補充通知)(銀監發[2011] 94號) and the Opinions on Advancing the Financial Services for Small and Micro Enterprises (Yin Jian Fa No. [2013] 7) (關於深化小微企業金融服務的意見)(銀監發[2013] 7號) in the following year if it has realized the "two no lower" goals during a given year and the percentage of its loans granted to small and micro enterprises is not lower than that of the previous year.

The CBRC issued the Guiding Opinions on the Financial Service Work for Small Enterprises and Micro Enterprises in 2015 (《關於2015年小微企業金融服務工作的指導意見》) on March 3, 2015, which explicitly points out that, in 2015, commercial banks shall continue to implement the existing small enterprises and micro enterprises financial service policy, as well as establishes "Six Mechanisms (六項機制)" (i.e. strengthening rate risk pricing mechanism, separate audit mechanism, effective approval mechanism, motivating inhibit mechanism, professional training mechanism and default information report mechanism), and implements "Four-Separate Principles (四單原則)" (i.e. separate listing plan, separate allocation human resources and financial resources, separate client identification and credit evaluation, separate accounting audit) for small enterprises and micro enterprises financial service special institution. On the basis of effective enhancing loan increment, it endeavors to achieve (i) the growth rate of loans to small enterprises and micro enterprises being not lower than the average growth of each loan; (ii) the number of small enterprises and micro enterprises loan customers being not lower than that in the same period of last year; and (iii) the approval rate of its loans granted to small and micro enterprises being not lower than that of the previous year.

We have adopted certain rules and measures to comply with the above regulations. We have also further enhanced our risk management and internal control capabilities in respect of loans and credit granted to certain specific industries and customers.

Foreign Exchange Business

Commercial banks are required to obtain approvals from the CBRC and the SAFE to conduct the business of foreign exchange. Under the PRC's anti-money laundering laws and regulations, PRC financial institutions are required to report to the Anti-money Laundering Monitoring and Analysis Centre of the PRC and SAFE on a timely basis any large or suspicious foreign exchange transactions which they encounter.

Securities and Asset Management Businesses

Commercial banks in the PRC are generally prohibited from trading and underwriting equity securities. Commercial banks in the PRC are permitted to:

- underwrite and deal in Chinese government bonds, financial institution bonds and commercial bonds issued by qualified non-financial institutions;

- act as agents in transactions involving securities, including bonds issued by the Chinese government, financial institutions and other corporate entities;

- provide institutional and individual investors with comprehensive asset management advisory services;

- act as financial advisors in connection with large infrastructure projects, mergers and acquisitions and bankruptcy reorganisations; and

- act as custodians for funds, including securities investment funds and corporate annuity funds.

Under the Administrative Measures on the Custodian Business for Securities Investment Fund (證券投資基金託管業務管理辦法) issued by the CSRC on April 2, 2013 and effective on the same day (which replaced the Administrative Measures on Qualifications for Securities Investment Fund (證券投資基金託管資格管理辦法), a commercial bank is permitted to apply for the right to engage in the custodian business for securities investment funds, if, amongst other requirements, such commercial bank had year-end net assets of not less than RMB2 billion for each of the previous three fiscal years and if its capital adequacy ratio fulfils the relevant regulatory requirements. The fund custodian must ensure the separation of its custodian business from its other businesses, as well as the segregation of its fund assets. The CSRC and the CBRC are jointly responsible for examining and approving the qualifications and supervising the activities of fund custodians. According to the Measures for the Administration of Enterprise Annuity Funds (《企業年金基金管理辦法》) issued jointly by the Ministry of Human Resources and Social Security, the CBRC and other authorities on February 12, 2011 and effective on May 1, 2011 (which replaced the Interim Measures for the Administration of Enterprise Annuity Funds (《企業年金基金管理試行辦法》), commercial banks are required to report to the relevant regulatory bodies and establish a specialised funds custodian department. On April 30, 2015, the Ministry of Human Resources and Social Security issued the Decisions on Amending Certain Rules, which revise the Measures for the Administration of Enterprise Annuity Funds and cancel the relevant requirements on corporate trustees, account managers, custodians, registered capital and net assets of investment managers.

Insurance

Commercial banks in the PRC are not permitted to underwrite insurance policies, but are permitted to act as agents to sell insurance products through their distribution networks. Commercial banks that conduct agency sales of insurance products are required to comply with applicable rules issued by the CIRC. According to the Notice of the CBRC on Further Strengthening Compliance Sales and Risk Management of Commercial Banks' Bancassurance Business (《中國銀監會關於進一步加強商業銀行代理保險業務合規銷售與風險管理的通知》) issued by the CBRC on November 1, 2010, in principle, each outlet of a commercial bank may cooperate with no more than three insurance companies to sell their insurance products. If the outlet cooperates with more than three insurance companies, the outlet must report to the local branch of the CBRC. Pursuant to the Supervisory Guidance on the Insurance Agency Business of Commercial Banks (《商業銀行代理保險業務監管指引》) jointly issued by the CIRC and the CBRC on March 7, 2011, if a commercial bank operates a bank assurance business, each of its business outlets is required to obtain the requisite license issued by the CIRC and authorisation from the tier one branch of the commercial bank before operating such business.

In order to regulate the insurance agency business conducted by commercial banks, the CIRC and the CBRC has issued the Notice on Further Standardization of Insurance Agency Business Conducted by Commercial Banks (《關於進一步規範商業銀行代理保險業務銷售行為的通知》) on January 8, 2014, which provides certain specific requirements for the insurance agency business conducted by commercial banks. Among others, commercial banks shall conduct demand analysis and risk appetite test and assessment for the insured, and then recommend and sell the proper insurance products to customers with corresponding demand and risk appetite based on the assessment result. Each point of sales of commercial banks shall not have insurance business collaborations with more than 3 insurance companies (in terms of separate legal entities) within one accounting year. And the sum of insurance premium received from agency sales of accident insurance, health insurance, term insurance, life insurance, annuity insurance with an insured period of not less than 10 years, universal life insurance with an insured period of not less than 10 years, property insurance (excluding investment-linked insurance of property insurance companies), surety insurance and credit insurance by a commercial bank must not be lower than 20% of the total income of insurance premium from the insurance agency business.

Wealth Management

In September 2005, the CBRC issued the Interim Measures on Administration of the Personal Wealth Management Services of Commercial Banks (《商業銀行個人理財業務管理暫行辦法》), which requires commercial banks to obtain the CBRC's approval in order to provide certain wealth management services such as return-guaranteed wealth management plans and new investment products with the nature of guaranteed return designed for personal wealth management service. For other personal wealth management services, commercial banks only need to file a report with the CBRC or its local offices. Commercial banks are also subject to certain restrictions on personal wealth management products. Under the Guidelines for the Risk Management of the Personal Wealth Management Services of Commercial Banks (《商業銀行個人理財業務風險管理指引》) issued by the CBRC in September 2005, commercial banks are required to establish an analysing, auditing and reporting system in respect of their wealth management services and communicate with regulatory authorities on major risk management manner, method and basis for risk calculation of personal wealth management, as well as other significant issues involving risk management. To further standardise and regulate the sales of wealth management products and provide comprehensive protection for consumer interests, the CBRC issued the Administrative Measures on the Sales of Wealth Management Products of Commercial Banks (《商業銀行理財產品銷售管理辦法》) on August 28, 2011, which requires commercial banks to prudently operate and disclose in a timely manner their wealth management business to fully protect the interests of consumers. Commercial banks shall sell their wealth management products according to the reporting system. During the reporting period, sales promotion activities may not be conducted for the reported wealth management products. The head office of a commercial bank (also applicable to branches of foreign banks) shall report to the regulatory authorities under the CBRC responsible for the supervision of legal institutions or the local offices of the CBRC according to relevant requirements within 10 days before the sales (including wealth management products developed and designed by the head office or authorized branches and sub-branches of the commercial bank), and the branches of a commercial bank shall submit their branch office reports to the local offices of the CBRC within 5 days after their offering of wealth management products.

In addition to domestic personal wealth management, the PBOC, the CBRC and the SAFE jointly issued the Interim Administrative Measures for Commercial Banks to Provide Overseas Financial Management Services (《商業銀行開辦代客境外理財業務管理暫行辦法》), effective on April 17, 2006, which permitted duly licensed commercial banks to make overseas investments using funds from investors in pre-approved financial products on behalf of domestic institutions and resident individuals.

On March 25, 2013, the CBRC issued the Notice on the Regulation of the Investment and Operation of Wealth Management Business by Commercial Banks (《關於規範商業銀行理財業務投資運作有關問題的通知》), to enhance the regulation of the wealth management business of commercial banks. This notice requires commercial banks to clearly link each wealth management product with its underlying investment asset. Moreover, the balance of wealth management funds invested by a commercial bank in non-standard debt-based assets cannot exceed the lower of (i) 35% of the balance of the commercial bank's wealth management products, or (ii) 4% of the commercial bank's total assets as disclosed in its annual audit report for the prior year.

On July 10, 2014, CBRC issued the Notice on Improving Management System of Bank's Wealth Management Service Organizations (Yin Jian Fa [2014] No.35) (《關於完善銀行理財業務組織管理體系有關事項的通知》(銀監發[2014]35號)), requiring commercial banks to improve their management system of wealth management service organizations. The Notice requires commercial banks to reform their wealth management service divisions based on the requirements of separate accounting, risk isolation, conduct standardization and centralized management, and set dedicated operating department for wealth management services responsible for the centralized and unified management and management of wealth management services of the bank. It clarifies that commercial banks shall satisfy the following prudential regulatory requirements when providing wealth management services: (1) key regulatory indicators satisfy regulatory requirements; (2) have sound information technology system, able to support the standard operation of business division and the separate accounting of the bank's wealth management products; (3) have set risk monitoring index and risk appetite, and have established complete separate accounting system and internal control system for their respective business lines; (4) have personnel and expert team with corresponding qualifications and extensive experience in the industry; (5) report information on their wealth management products in the National Banking Financial Information Registration System (《全國銀行業理財信息登記系統》) in a timely and accurate way, without any significant fault, omission and fraud behaviors in reporting; and (6) other prudential requirements provided by banking regulations. When providing wealth management services, commercial banks shall, based on the principle of risk match, strictly separate ordinary individual customers, high net-worth customers and private banking customers to manage the sales of wealth management products by classification and provide products cater for the investment needs and risk appetites of different customers at their own risk. For ordinary individual customers, banks can provide them only with wealth management products with low risk and sound return, such as wealth management products under classifications of currency market and fixed income. For high net-worth customers and private banking customers, after adequate risk assessment, banks may provide them with wealth management products at various risk levels. Banks shall include the risk management of wealth management services in the bank-wide risk management system, and take ultimate responsibility for the soundness and effectiveness of the risk management of the wealth management division.

Electronic Banking

The CBRC issued the Administrative Measures Regulating Electronic Banking Business (《電子銀行業務管理辦法》) and the Security Evaluation Guidelines on Electronic Banking (《電子銀行安全評估指引》) on January 26, 2006 in an effort to enhance risk management and security standards in this sector. All banking institutions applying to establish an e-banking business are required to have sound internal control and risk management systems and are not permitted to have any major accidents relating to their primary information management and operations processing systems in the year immediately prior to the application to establish the e-banking business. In addition, all banking institutions conducting e-banking business must adopt security measures to ensure the confidentiality of information and to prevent the unauthorised use of e-banking accounts.

Pursuant to the Notice on Strengthening Client Information Management for Electronic Banking (《關於加強電子銀行客戶信息管理工作的通知》) promulgated by the CBRC and coming into effect on August 9, 2011, commercial banks shall continuously strengthen the internal control and management of customer information security during the course of conducting the business of electronic funds transfer and payment. Without authorization from a customer, any institution shall not directly or indirectly provide the customer's name, document type and document number, mobile phone number, fixed telephone number, correspondence address and other customer sensitive information to a third-party body. Commercial banks shall strengthen the access management of cooperation parties for cooperation merchants and third-party bodies and expressly agreed on the rights and obligations in the aspect of information sharing such as relevant merchants, commodities and use of funds with them during the course of conducting the business of electronic funds transfer and payment to prevent risks such as theft and fraud.

Proprietary Investments

In general, commercial banks in the PRC are prohibited from making domestic investments other than in debt instruments issued by the Chinese government and financial institutions, short-term commercial paper, medium-term notes and corporate bonds issued by qualified non-financial institutions, and certain derivative products. Unless approved by the Chinese government, commercial banks in the PRC are prohibited from engaging in trust investment and securities businesses, investing in real property (other than for their own use) or non-banking financial institutions and enterprises.

Derivatives

The Provisional Administrative Measures on Derivative Business of Financial Institutions (《金融機構衍生產品交易業務管理暫行辦法》) issued by the CBRC on February 4, 2004 set out, among other things, detailed regulations on market access and risk management for the derivative business conducted by financial institutions. In accordance with these measures, commercial banks in the PRC seeking to conduct a derivative business must meet the relevant qualification requirements and obtain prior approval from the CBRC. In addition there have been a number of additional regulations aimed to further strengthen the risk management of derivative businesses conducted by commercial banks in the PRC, and the Provisional Administrative Measures on Derivative Business of Financial Institutions (《金融機構衍生產品交易業務管理暫行辦法》) have been amended on July 3, 2007 and again on January 5, 2011.

On January 5, 2011, the CBRC promulgated the Provisional Administrative Measures on Derivative Trading Business of Banking Institutions (《銀行業金融機構衍生產品交易業務管理暫行辦法》) to regulate the derivative trading business of banking institutions and exercise effective control over the risk of derivative business operated by banking institutions. The Measures provided that banking institutions shall obtain approval from the CBRC before commencement of any derivative trading business and shall be subject to the supervision and inspection of the CBRC.

On December 5, 2014, SAFE issued the Notice of SAFE on the Relevant Administrative Policy for Adjusting the Entry of Financial Institutions into the Interbank Foreign Exchange Market (《國家外匯管理局關於調整金融機構進入銀行間外匯市場有關管理政策的通知》) to adjust the entry of domestic financial institutions into the interbank foreign exchange market. The Notice required that domestic financial institutions may become members of the interbank foreign exchange market after they have obtained the qualification of spot sales and settlement in foreign exchange business with approval from SAFE and the qualification of derivative trading business with approval from the relevant financial regulatory authority and subject to the satisfaction of technical standard requirements of the relevant business in the interbank foreign exchange market, and may commence RMB spot forex operations and derivative trading accordingly. SAFE will not grant prior approval on market access qualification to the interbank foreign exchange market.

On June 5, 2015, the CBRC promulgated the Measures of the CBRC for the Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks (《中國銀監會中資商業銀行行政許可事項實施辦法》), which provided that the application to commence derivative trading business by city commercial banks shall be handled, reviewed and decided by the local bureau of the CBRC in the place where the bank is situated.

Financial Innovation

In December 2006, the CBRC issued the Guidelines on Financial Innovation of Commercial Banks (商業銀行金融創新指引), the purpose of which is to encourage PRC commercial banks to prudently engage in innovative financial activities, including developing new businesses and products and improving existing businesses and products, expanding their scope of business, improving cost efficiency and profitability, and reducing their reliance on lending business for profits. To facilitate financial innovation by PRC commercial banks, the CBRC has indicated that it will streamline and increase the efficiency of the examination and approval procedures for new products.

Gold Market Business

Major regulatory laws and regulations of the PRC relating to the gold market business engaged by our Bank are as follows:

On December 17, 2012, the PBOC issued the Notice of the General Office of PBOC concerning the Relevant Issues of Strengthening the Management of Gold Market Business of Banking Institutions (《中國人民銀行辦公廳關於加強銀行業金融機構黃金市場業務管理有關事項的通知》) to strengthen regulatory governance over the gold market to prevent gold market risk. The Notice required that banking institutions which commence gold market business shall make a filing to the PBOC and submit regular reports on the operation of the relevant business.

On January 1, 2014, Shanghai Gold Exchange implemented the Shanghai Gold Exchange Interbank Gold Price Quotation Business Transaction Rules (Amendment) (《上海黃金交易所銀行間黃金詢價業務交易規則(修訂版)》), pursuant to which access management was implemented by the Shanghai Gold Exchange on gold price quotation business transactions. Institutions which intend to participate in gold price quotation transactions shall submit an application to the Exchange in writing, after review and approval by the Exchange, such institutions may conduct gold price quotation transactions through the foreign exchange trading system of the Exchange center. On July 7, 2014, the Shanghai Gold Exchange implemented the Shanghai Gold Exchange Gold Lending Business Transaction Rules (《上海黃金交易所黃金拆借業務交易規則》), the Rules required the Shanghai Gold Exchange to implement a filing system for the management of gold lending transactions. Institutions with interbank gold price quotation business participation qualification recognized by the Exchange may participate directly in gold lending transactions. Institutions with trader qualification of the Exchange may file written reports on their participation in gold lending transactions, after approval is granted by the Exchange, such institutions may participate in gold lending transactions through the price quotation system of the Exchange. The market participating institutions which have submitted filing and have obtained consent to commence gold lending transactions may provide price quotations to the public after approval is granted by the Exchange.

On June 5, 2015, the CBRC promulgated the Measures of the CBRC for the Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks (CBRC Order 2015 No. 2) (《中國銀監會中資商業銀行行政許可事項實施辦法》(中國銀監會令2015年第2號)), city commercial banks that apply to commence other businesses and business varieties expressly provided under existing regulations shall be handled by the CBRC branch of the place or by the CBRC bureau of the city where the bank is located, and shall be reviewed and decided by the CBRC.

Issuance of micro-enterprise bonds

In October 2011, the CBRC issued the Supplementary Notice on Supporting Commercial Banks to Further Improve the Financing Services Offered to Micro-enterprises (《中國銀監會關於支持商業銀行進一步改進小型微型企業金融服務的補充通知》), allowing banks to issue bonds for the purpose of micro-enterprise lending as one of the supportive measures to help micro-enterprises obtain financing.

The CBRC issued the Opinions on Enhancing Financial Services for Micro-enterprises (《中國銀監會關於深化小微企業金融服務的意見》) on March 21, 2013, which requires commercial banks to further improve the multi-level financial service system for micro-enterprises and leads commercial banks to constantly increase the standard of financial services for micro-enterprises amidst differentiated competition, including leading small and medium banks to combine the improvement of financial services for micro-enterprises with strategic transformation, scientifically adjust the credit structure and focusing on supporting the development of micro-enterprises and regional economy. The General Office of the State Council issued the Guidelines on Financial Support for the Adjustment, Transformation and Upgrading of Economic Structure (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》) on July 1, 2013 and the Implementation Opinions on Providing Financial Support to Small and Micro-enterprises (《國務院辦公廳關於金融支持小微企業發展的實施意見》) on August 8, 2013, which proposes the integration of financial resources to support the development of micro-enterprises.

In order to improve the provision of financial services to small enterprises, the CBRC issued the Supervision and Guidance Opinions on Credit Extension to Small Enterprises by Banks (銀行開展小企業授信工作指導意見) on June 29, 2007 and the Guidelines for the Due Diligence by Commercial Banks in Credit Extension to Small Enterprises (for Trial Implementation) (商業銀行小企業授信工作盡職指引(試行)) on September 26, 2006, which set forth certain requirements for commercial banks in connection with the provision of better financial services to small enterprises, including the establishment of an independent department to engage in such business, employment of professional staff and the application of differentiated credit extension management.

Interbank Business

The Circular on Regulating the Interbank Business of Financial Institutions Issued by the PBOC, the CBRC, the CSRC, the CIRC and the SAFE (Yin Fa [2014] No.127) (《中國人民銀行、中國銀行業監督管理委員會、中國證券監督管理委員會、中國保險監督管理委員會、國家外匯局關於規範金融機構同業業務的通知》, (銀發[2014] 127號), "Circular 127"), which took effect from 24 April 2014, stipulates that, unless otherwise provided by the State, a financial institution may not directly or indirectly accept and provide explicit or implicit credit guarantee from or to other third-party financial institutions when conducting the purchase of assets under resale agreements (the sale of assets under repurchase agreements) and the interbank investment business. The interbank business of a financial institution shall conducted in compliance with the national laws and regulation and accounting principles by using correct accounting treatment so as to ensure that all kinds of interbank business and every links of the transactions can be recorded and reflected in the balance sheet or off-balance sheet timely, completely, truly and accurately. Financial institutions shall conduct reasonable allocation and use of capital source for their interbank business and place the interbank business under the liquidity management framework to strengthen the maturity mismatch management and control the liquidity risk. The net interbank financing volume (excluding interbank deposit for settlement purpose) from a commercial bank to another legal-entity financial institution, after deducting zero risk-weighted financial assets, shall not exceed 50% of the tier 1 capital of the bank. Of which, Tier 1 capital and zero risk-weighted financial assets are calculated based on the requirements under "Commercial Bank Capital Management (tentative)" (《商業銀行資本管理辦法(試行)》). The outstanding interbank borrowing of a commercial bank shall not exceed one third of total liabilities of the bank, which is temporarily not applicable for provincial rural credit cooperative unions, provincial subordinate legal entities and rural banks. The People's Bank of China and various financial regulatory authorities shall comprehensively strengthen supervision and inspection of interbank business in accordance with their statutory duties and increase on-site inspection and special inspection on those financial institutions which have complex business structure and incompatible risk management with their business development, and impose penalties on such financial intuitions which conduct interbank business in violation of laws.

The Circular on Regulating the Governance of the Interbank Business of Commercial Banks (Yin Jian Ban Fa [2014] No.140) (《中國銀監會辦公廳關於規範商業銀行同業業務治理的通知》) (銀監辦發[2014] 140號, "Circular 140"), which took effect from 8 May 2014, stipulates that commercial banks shall establish a sound authority management system for their interbank business, under which the centralized and unified grant of authority to the interbank business franchise sector shall be conducted by the corporate headquarters and the interbank business franchise sector should not conduct authority delegation and carry out any interbank business without or beyond authorization. Commercial banks shall establish a sound credit management policies for their interbank business, under which the centralized and unified grant of facilities to the interbank business in the balance sheet and off-balance sheet shall be conducted by the corporate headquarters, and multi-credit granting is not allowed and no interbank business shall be conducted without or beyond a line of credit. Commercial banks shall establish a sound counterparty access mechanism for their interbank business, under which the corporate headquarters shall conduct the centralized and unified management of the counterparty list as well as the periodic assessment of counterparty credit risk, and then dynamically adjust the list. Commercial banks shall implement the franchise sector system for all interbank business by the end of September 2014, and submit their reform programs and the implementation progress thereof to the CBRC and its local branches. For those which conduct interbank business in violation of these requirements, the CBRC and its local branches shall investigate into and deal with them for their violations of prudent operation rules.

Our Bank's interbank business has complied with Circular 127 and Circular 140 and such compliance did not have any material adverse impact on our business operation or financial position.

Credit Card Business

The CBRC issued the measures for the Supervision and Administration Measures of the Credit Card Business of Commercial Banks (《商業銀行信用卡業務監督管理辦法》) on January 13, 2011, which provides that commercial banks shall report to the CBRC and its local offices for approving the start-up of card issuance and receipt of bills. National commercial banks shall make application to the CBRC through their head office (corporation) for the start-up of the credit card business. Commercial banks which may only conduct business operations in specific cities or regions according to relevant regulations shall make application to the local regulatory authorities through their head office (corporation) for the start-up of the credit card business. After the preliminary examination, the local regulatory authorities shall submit to the CBRC for approval. National commercial banks shall make application to the CBRC through their head office (corporation) for the establishment of an exclusive branch-level operation center such as the credit card center. Commercial banks which may only conduct business operations in specific cities or regions according to relevant regulations shall make application to the local regulatory authorities through their head office (corporation) for the establishment of an exclusive branch-level operation center such as the credit card center. After the preliminary examination, the local regulatory authorities shall submit to the CBRC for approval. An application for the commencement of operations of the exclusive branch-level operation center such as the credit card center shall be lodged with the local office of the CBRC for approval.

According to the Measures of CBRC for the Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks (《中國銀監會中資商業銀行行政許可事項實施辦法》), which came into effect on June 5, 2015, the credit card business application by city commercial banks shall be handled, examined and decided by its local CBRC.

Deposits

The General Office of the China Banking Regulatory Commission, the General Office of the Ministry of Finance and the General Office of the People's Bank of China issued a Circular on Matters relating to Strengthening the Administration of Deposit Deviation Ratios of Commercial Banks (Yin Jian Ban Fa [2014] No. 236) (《關於加强商業銀行存款偏離度管理有關事項的通知》)（銀監辦發[2014] 236號）stipulates that, commercial banks shall not illegally take and falsely increase deposits by means of the following: (I) attracting deposits with high interest rates. Interest rates of deposits or levels of high interest rate swaps are arbitrarily increased against the rules, or special accounts are otherwise opened for payment of high interests to depositors. (II) Attracting deposits through offering kickbacks in an illegal manner. Deposits are attracted through unjustified means such as return of cash or marketable securities or offer of presents. (III) Taking deposits through third party intermediaries. Deposits are attracted through third party fund intermediaries including individuals or institutions. (IV) Taking deposits by way of delay in payment. Payment of principals and interests of deposits is delayed or refused by imposing irrational limitation on the withdrawal of cash, closing online banking, and holding down or returning bills. (V) Taking deposits by converting loans into deposits. Terms are set or negotiation is carried out compulsorily to convert loans into deposits, or "empty accounts" are falsely extended loans to increase deposits. (VI) Attracting deposits by issuing revolving bills with loans. Bank acceptance bills are issued by taking funds of loans as margins and are discounted so as to falsely increase deposits and loans. (VII) Taking deposits through deposits down by financial products. The duration structure of financial products is irrational, with the timing of issuance and expiration concentrated at the end of each month, which facilitates the conversion of funds of wealth management into deposits at key time-points, such as the end of month and quarter. (VIII) Taking deposits through deposits down from interbank business. Interbank deposits are accounted for as a general deposit item, and placements from other financial institutions including finance companies are adjusted to general corporate deposits temporarily at key time-points such as the end of month or quarter, thus falsely increasing deposits. Commercial banks shall strengthen management of the stability of deposits and restrain the conduct of "attracting deposits up to certain amount by a point of time" at the end of month, with the deposit deviation ratios at the end of month not exceeding 3%. The deposit deviation ratio at the end of month = (each deposit on the last day of the end of month - daily average deposit of the month)/average daily deposit of the month x 100%. In calculating the deposit deviation ratio at the end of month for the last month of each quarter, the countable amount of the "daily average deposit of the month" shall not exceed the daily average deposit of previous month x (1+ average of the growth rate of the daily average deposit of the last month in recent four quarters). The growth rate of daily average deposit of each month = (daily average deposit of the month — daily average deposit of previous month)/daily average deposit of previous month x 100%.

Pursuant to the requirements of the Regulations on Deposit Insurance (《存款保險條例》, the "**Regulations**") promulgated by the State Council on February 17, 2015, which came into effect on May 1, 2015, deposit-taking banking financial institutions (collectively, "**insured institutions**") including, among others, commercial banks, rural cooperative banks and rural credit cooperatives, shall maintain deposit insurance in accordance with the requirements of the Regulations. Insured deposits include Renminbi deposits and foreign currency deposits placed with insured institutions. However, deposits placed with peer financial institutions, deposits of senior management officers of the insured institutions placed with their respective insured institutions and other deposits not subject to insurance pursuant to the requirements of the deposit insurance fund administrative authority are excluded.

Deposit insurance is subject to a maximum settlement limit of RMB500,000. The PBOC and the relevant departments of the State Council may jointly adjust the maximum settlement limit according to factors such as economic development, changes in the structure of deposits and financial risk conditions and others, and report the adjusted limit to the State Council for approval before it is promulgated for implementation. If the amount of funds calculated as the sum of principal and interest of deposits in an insured deposit account with the same insured institution by the same depositor is within the maximum settlement limit, settlement will be made in full amount; any portion in excess of the maximum settlement limit shall be compensated by the liquidated properties of the insured institution according to law. After the deposit insurance fund administrative authority has settled payment for the insured deposits to the depositor, it will acquire the creditor's right of the depositor ranking pari passu against the insured institution to the extent of the settled amount.

Deposit-taking banking financial institutions that have commenced business prior to the implementation of the Regulations shall complete the insurance purchase procedures within the period of time specified by the deposit insurance fund administrative authority. The deposit insurance fee rate is composed of a benchmark fee rate and a risk differentiation fee rate. The standard fee rate will be determined and adjusted by the deposit insurance fund administrative authority according to a number of factors, such as economic and financial development conditions, structure of deposits and the cumulated level of the deposit insurance fund, and will be reported to the State Council for approval before implementation. The applicable fee rates for various insured institutions shall be determined by the deposit insurance fund administrative authority according to a number of factors, such as the operation management conditions and risk exposure conditions of the insured institutions. The premium payable by an insured institution shall be calculated according to the insured deposit of the insured institution and the applicable fee rate determined by the deposit insurance fund administrative authority, and the specific calculation method is subject to the provisions of the deposit insurance fund administrative authority.

The insured institution shall submit reports regularly on the balance of insured deposits, structure of deposits and other necessary information relating to the determination of the applicable fee rate, underwritten premium and settled deposits pursuant to the requirements of the deposit insurance fund administrative authority. The insured institution shall pay insurance premium once every six months in accordance with the requirements of the deposit insurance fund administrative authority. If the capital adequacy ratio of the insured institution has fallen significantly due to material losses in assets, endangering the safety of deposits and the deposit insurance fund, the insured institution shall adopt timely measures to replenish capital, control the growth of assets, control credit facilities for material transactions and reduce the leverage ratio according to the requirements of the deposit insurance fund administrative authority, PBOC and CBRC. If the aforesaid circumstances have occurred in an insured institution, and no improvement has been made during the period specified by the deposit insurance fund administrative authority, then the deposit insurance fund administrative authority may increase its applicable fee rate.

If the deposit insurance fund administrative authority has discovered the existence of the circumstances stipulated in Articles 38 and 39 of the Banking Supervision Law of the People's Republic of China (中華人民共和國銀行業監督管理法) in the insured institution, it may propose to the CBRC to take corresponding actions in accordance with the laws. If any one of the following circumstances has been found to exist in the insured institution: (1) no insurance is maintained in compliance with the laws; (2) premium payment has not been made timely and sufficiently; (3) information and materials have not been reported according to requirements or false information and materials have been reported; (4) refusal to or interference with the investigations conducted by the deposit insurance fund administrative authority in compliance with the laws; (5) obstructing the implementation of the proposed usage of deposit insurance fund by the deposit insurance fund administrative authority, the deposit insurance fund administrative authority may impose an order for rectification within a specified period; if no rectification is made within the specified period or in severe cases, such failure will be recorded as evidence for adjusting the fee rate applicable to the insured institution. If the aforesaid circumstances exist in the insured institution, the deposit insurance fund administrative authority may make a public announcement against the person in charge and directly responsible persons of the insured institution. If the circumstances described in item 2 of the above are found to exist in the insured institution, the deposit insurance fund administrative authority may impose an additional late payment penalty equivalent to 0.05% of the unpaid portion of premium per day.

On May 8, 2015, PBOC issued PBOC Notice On Issues Concerning the Implementation of Deposit Insurance System (《中國人民銀行關於存款保險制度實施有關事項的通知》) (the "**Notice**"), which stipulates that, deposit-taking banking financial institutions that have commenced business prior to the implementation of the Regulations shall complete the insurance purchase procedures before June 30, 2015. The applicable annual rate for deposit-taking banking financial institutions in 2015 is 0.016% of the insured amount by deposits (i.e. premium base). Each deposit-taking banking financial institution shall calculate its premium base and premium payable for the period from July to December of the previous year and the period from January to June of the current year before January 10 and July 10 respectively, and shall report the same to PBOC or its branches where the relevant institutions is located for their verification in accordance with the principle of local management. The PBOC branches shall verify and submit the verified data level by level to PBOC before 15 January and 15 July each year. Each deposit-taking banking financial institution shall report its premium base and premium payable for May and June 2015 before10 July, 2015. The PBOC branches shall verify and submit the verified data level by level to PBOC before 15 July, 2015. Each deposit-taking banking financial institution shall pay the premiums once every six months. Each deposit-taking banking financial institution shall transfer the verified premium payable to the special deposit insurance fund account of the Banking Management Department of PBOC before 20 January and 20 July in each year. Each deposit-taking banking financial institution shall pay the verified premium payable for May and June 2015 before 20 July, 2015. The calculation formula for premium is: premium payable in each six-month period= premium base × annual rate×1/2. The premium payable for May and June 2015= premium base×1.6/10000×1/6. Premium base= RMB-denominated and foreign currency-denominated deposits—deposits from non-deposit financial institutions—deposits placed with foreign peer financial institutions—deposits of senior management officers of the insured institutions placed with their respective insured institutions—deposits not subject to insurance pursuant to the requirements of the deposit insurance fund administrative authority. The RMB-denominated and foreign currency-denominated deposits include principal and interest payable. The foreign currency-denominated deposits are translated into RMB at the middle price of exchange rates published by China Foreign Exchange Trading Center as authorized by PBOC on the last trading day of each 10-day period. The RMB-denominated and foreign currency-denominated deposits include domestic deposits and overseas deposits. Domestic deposits include personal deposits, corporate deposits, fiscal deposits and deposits from non-deposit financial institutions. For the insured institution which has not made premium payment timely and sufficiently, the PBOC and its branches may make a public announcement against the person in charge and directly responsible persons of the insured institution, and it may also impose an additional late payment penalty equivalent to 0.05% of the unpaid portion of premium per day. At the same time, the relevant authority may impose an order for rectification within a specified period; if no rectification is made within the specified period or in severe cases, such failure will be recorded as evidence for adjusting the fee rate applicable to the insured institution.

Pursuant to the Implementation Guidelines for the Management of Large-amount Deposit Slips (《大額存單管理實施細則》) which was issued and implemented by the Self-regulatory Pricing Mechanism for Market Interest Rates on June 2, 2015, the large-amount deposit slips business shall be self-regulatory required by the Self-Regulatory Pricing Mechanism for Market Interest Rates ("**Self-Regulatory Mechanism**") according to the Interim Measures for the Management of Large-amount Deposit Slips (《大額存單管理暫行辦法》). The deposit-taking banking financial institutions which satisfy the conditions shall submit the administrative measures of large-amount deposit slips of such institution and the relevant evidenced materials of established large-amount deposit slips business management system to the secretariat of Self-Regulatory Mechanism and prior to the initial issuance of large-amount deposit slips. For the deposit-taking banking financial institution which satisfies the requirements of the Interim Measures for the Management of Large-amount Deposit Slips after the evaluation of Self-Regulatory Mechanism, it shall file the annual issuance plan to the PBOC prior to the initial issuance of large-amount deposit slips in each year. The issuer shall re-file to the PBOC if it adjusts the annual issuance plan. The issuer shall register the issuance size of current year in the National Interbank Funding Center ("**Transaction Centre**") prior to the initial issuance of large-amount deposit slips in each year. The issuance size of current year shall be consistent with the size in the annual issuance plan filed to the PBOC by the issuer. The proposed issuance size of large-amount deposit slips of issuer in each period shall not exceed the available size in the current year of issuer. The large-amount deposit slips are available for pledge business, including but not limited to pledged loan and pledged financing.

PRICING OF PRODUCTS AND SERVICES

Interest Rates for Loans and Deposits

Interest rates for RMB-denominated loans and deposits were historically set by the PBOC. Each commercial bank is required to determine both its loan rate in accordance with a minimum loan rate limit and its deposit rate in accordance with a maximum deposit rate limit, in each case, as set by the PBOC. In recent years, the PBOC has gradually liberalised its regulation of interest rates, allowing banks more discretion to determine the interest rates for RMB-denominated loans and deposits. Since July 20, 2013, commercial banks may set interest rates for RMB-denominated loans (except for commercial residential housing loans) at their own discretion. Since October 24, 2015, commercial banks may set interest rates for RMB-denominated deposits at their own discretion.

From March 17, 2005 to August 18, 2006, interest rates for personal residential mortgage loans were regulated in the same way as most other types of loans. Since August 19, 2006, the minimum interest rate for personal residential mortgage loans has been adjusted to 85% of the PBOC benchmark lending rate. Since October 27, 2008, the minimum interest rate for personal residential mortgage loans has been adjusted to 70% of the PBOC benchmark lending rate. Since April 17, 2010, the minimum interest rates for the loans to second-time home buyer have been adjusted to 110% of the PBOC benchmark lending rate. On July 20, 2013, the PBOC removed the minimum interest rate requirement for new loans provided by commercial banks, whereas the minimum interest rates for new personal residential mortgage loans remained at 70% of the PBOC benchmark lending rates. Since September 30, 2014, for families that make the first-time purchase of any ordinary residential property, the minimum down payment ratio is 30% and the minimum interest rate is 70% of the loan benchmark interest rate, as determined by commercial banks based on risk profiles. For families that already have one property with its loan settled, policies for first property applies when they apply for loans to purchase an ordinary commercial residential property to improve living conditions. In cities where "purchase restrictions" have not been implemented or have been removed, families that already have two or more properties with their loan settled, when they apply for loans to purchase another residential property, banks shall take careful consideration and determine the down payment ratio and interest rate based on various factors, such as the borrowers' solvency and credit status.

Beginning on October 29, 2004, commercial banks in the PRC have been permitted to set their own interest rates on RMB-denominated deposits so long as such interest rates were not higher than the relevant PBOC benchmark rates. Since June 8, 2012, commercial banks in the PRC were allowed to set their own interest rates on RMB-denominated deposits up to 110% of the relevant PBOC benchmark rates. Since November 22, 2014, commercial banks in the PRC were allowed to set their own interest rates on RMB-denominated deposits up to 120% of the relevant PBOC benchmark rates. Since March 1, 2015, commercial banks in the PRC were allowed to set their own interest rates on RMB-denominated deposits up to 130% of the relevant PBOC benchmark rates. Effective from May 11, 2015, commercial banks in the PRC are allowed to set their own interest rates on RMB-denominated deposits up to 150% of the relevant PBOC benchmark rates. Since August 26, 2015, the floating cap for RMB-denominated time deposits with a term of over one year (exclusive of one year) is liberated for the commercial banks in the PRC, pursuant to which the financial institutions may determine the interest rate for RMB-denominated time deposits with a term of more than one year, including time deposits and withdraw in lump sum, time deposits in installments while withdraw in lump sum, time deposits in lump sum and withdraw in installments and time deposits in lump sum and withdraw the interest periodically, at their own discretion with reference to the benchmark time deposits interest rate, while the floating cap for RMB-denominated demand deposits and other term types of RMB-denominated time deposits remains at 150% of the benchmark interest rate. However, these restrictions do not apply to interest rates on negotiated deposits, which are deposits by domestic insurance companies in amounts of RMB30 million or more or deposits by social security funds in amounts of RMB50 million or more, in each case with a term longer than five years. With effect from October 24, 2015, the PBOC ceased to set upper limits of RMB-denominated deposit interest rates for commercial banks and rural cooperative financial institutions. Effective November 22, 2014, time deposit benchmark interest rates with a term of five years will no longer be published and loan benchmark interest rates are classified under the three categories of within one year (including one year), one to five years (including five years) and more than five years.

From September 16, 2008 to the Latest Practicable Date, the PBOC has adjusted the benchmark rate for RMB-denominated loans 18 times and the benchmark rate for RMB-denominated deposits 17 times.

The table below sets out the PBOC benchmark rates for RMB-denominated loans since 2008.

Date of adjustment	Six months or less	Six months to one year (inclusive of one year)	One to three years (inclusive of three years)	Three to five years (inclusive of five years)	More than five years	Housing Fund Loan	
						Five years or less	More than five years
	(Interest rate per annum %)						
September 16, 2008	6.21	7.20	7.29	7.56	7.74	4.59	5.13
October 9, 2008	6.12	6.93	7.02	7.29	7.47	4.32	4.86
October 30, 2008	6.03	6.66	6.75	7.02	7.20	4.05	4.59
November 27, 2008	5.04	5.58	5.67	5.94	6.12	3.51	4.05
December 23, 2008	4.86	5.31	5.40	5.76	5.94	3.33	3.87
October 20, 2010	5.10	5.56	5.60	5.96	6.14	3.50	4.05
December 26, 2010	5.35	5.81	5.85	6.22	6.40	3.75	4.30
February 9, 2011	5.60	6.06	6.10	6.45	6.60	4.00	4.50
April 6, 2011	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 7, 2011	6.10	6.56	6.65	6.90	7.05	4.45	4.90
June 8, 2012	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 6, 2012	5.60	6.00	6.15	6.40	6.55	4.00	4.50
November 22, 2014	5.60	5.60	6.00	6.00	6.15	3.75	4.25
March 1, 2015	5.35	5.35	5.75	5.75	5.90	3.50	4.00
May 11, 2015	5.10	5.10	5.50	5.50	5.65	3.25	3.75
June 28, 2015	4.85	4.85	5.25	5.25	5.40	3.00	3.50
August 26, 2015	4.60	4.60	5.00	5.00	5.15	2.75	3.25
October 24, 2015	4.35	4.35	4.75	4.75	4.90	2.75	3.25

Source: PBOC

The table below sets out the PBOC benchmark rates for RMB-denominated deposits since 2008.

		Time deposits					
Date of adjustment	**Demand deposits**	**Three months**	**Six months**	**One year**	**Two years**	**Three years**	**Five years**
		(Interest rate per annum %)					
October 9, 2008	0.72	3.15	3.51	3.87	4.41	5.13	5.58
October 30, 2008	0.72	2.88	3.24	3.60	4.14	4.77	5.13
November 27, 2008	0.36	1.98	2.25	2.52	3.06	3.60	3.87
December 23, 2008	0.36	1.71	1.98	2.25	2.79	3.33	3.60
October 20, 2010	0.36	1.91	2.20	2.50	3.25	3.85	4.20
December 26, 2010	0.36	2.25	2.50	2.75	3.55	4.15	4.55
February 9, 2011	0.40	2.60	2.80	3.00	3.90	4.50	5.00
April 6, 2011	0.50	2.85	3.05	3.25	4.15	4.75	5.25
July 7, 2011	0.50	3.10	3.30	3.50	4.40	5.00	5.50
June 8, 2012	0.40	2.85	3.05	3.25	4.10	4.65	5.10
July 6, 2012	0.35	2.60	2.80	3.00	3.75	4.25	4.75
November 22, 2014	0.35	2.35	2.55	2.75	3.35	4.00	N/A
March 1, 2015	0.35	2.10	2.30	2.50	3.10	3.75	N/A
May 11, 2015	0.35	1.85	2.05	2.25	2.85	3.50	N/A
June 30, 2015	0.35	1.60	1.80	2.00	2.60	3.25	N/A
August 26, 2015	0.35	1.35	1.55	1.75	2.35	3.00	N/A
October 24, 2015	0.35	1.10	1.30	1.50	2.10	2.75	N/A

Source: PBOC

Effective from November 22, 2014, PBOC will no longer announce the benchmark interest rate for time deposits with a term of five years. Time deposits with a term of five years within the maturity period will be executed upon maturity according to the interest rate agreed in the contract. Interest rates of newly originated five-year time deposits will be freely determined by financial institutions according to commercial principles.

The PBOC generally does not regulate interest rates for foreign currency-denominated loans or deposits, except for U.S. dollar-, Hong Kong dollar-, Japanese Yen- and Euro-denominated deposits of less than US$3 million (or the equivalent) and with a term of one year or less, the maximum interest rates on which may not exceed the PBOC benchmark rates for small amount of short-term foreign currency deposits.

Historically, commercial banks may determine the discount rate based on the rediscount rate set by the PBOC. On November 27, 2008, the PBOC set the rediscount rate to commercial banks at 2.97% per annum, which was lowered to 1.80% on December 23, 2008 and then raised to 2.25% on December

26, 2010. According to the Notice of the People's Bank of China on Further Promoting the Liberalisation of Interest Rate (中國人民銀行關於進一步推進利率市場化改革的通知) announced by the PBOC in July 2013, since July 20, 2013, commercial banks are permitted to determine the discount rate at their own discretion.

Pricing for Fee- and Commission-based Products and Services

To improve the service standards of the banking industry and enhance the industry's social responsibilities under the principle of market orientation, the CBRC, the PBOC and the NDRC jointly issued the Notice on the Waiver of Some Service Charges of Banking Institutions (《關於銀行業金融機構免除部分服務收費的通知》) on March 9, 2011, which requires banking institutions to waive 34 charging items in relation to RMB personal accounts starting from July 1, 2011. In an effort to further regulate banking institutions' charging items, on January 20, 2012, the CBRC issued the Notice on Rectifying the Irregular Operations of Banking Financial Institutions (《關於整治銀行業金融機構不規範經營的通知》), which sets out certain prohibited operations in relation to charging items for banking institutions' credit business and enhanced the transparency of pricing.

Under the Administrative Measures on Pricing of Commercial Banking Services (《商業銀行服務價格管理辦法》) jointly issued by the CBRC and the NDRC on February 14, 2014, government-guided prices or government-fixed prices are executed on basic banking services which are commonly used by customers, and has significant relationship with the national economic development and people's lives. In addition to the execution of government-guided or government-fixed service prices, market-adjusted service prices for commercial banks are executed. For the service prices of commercial banks that execute market-adjusted prices, they should be set and adjusted by the head office of commercial banks. Branches should not set and adjust service prices themselves. If commercial banks increase the service prices that comply the market-adjusted prices, they should make at least 3 months announcements before execution, and inform related customers in writing, or by telephone, messages, emails, and other contracted means, if necessary. If commercial banks establish new service charging items that comply the market-adjusted prices, they should make at least 3 months announcement before execution.

REQUIRED DEPOSIT RESERVE AND SURPLUS DEPOSIT RESERVE

Commercial banks are required to maintain a percentage of their total deposits as reserves with the PBOC to ensure they have sufficient liquidity to meet customer withdrawals. Since October 24, 2015, the city commercial banks are required to maintain a deposit reserve that is equal to 15.5% of their total outstanding Renminbi deposits according to the relevant requirements of the PBOC. For commercial banks that satisfy prudent operation requirements and with a certain percentage of loans to "Three Rural" or small and micro enterprises, the deposit reserve ratio is further lowered to 14.0%. In addition, pursuant to the requirements of the PBOC Notice on Issues Concerning Deposit Reserve Policy and Interest Rate Management Policy after Adjustment to the Scope of Deposits (Yin Fa [2014]

No. 387) (《中國人民銀行關於存款口徑調整後存款準備金政策和利率管理政策有關事項的通知》(銀發[2014] 387號)), effective from 2015, part of the deposits originally counted under current account placements from banks, including deposits for settlement of securities and transactions received by deposit-taking financial institutions, non-deposit placements from banks, placements from SPVs, placements from other financial institutions and placements from foreign financial institutions, were included within the scope of various deposits. The above deposits are included within the scope of deposit reserve requirements and the applicable deposit reserve ratio is zero for the time being.

The following table sets forth the historical values of the RMB statutory reserve ratios applicable to our Bank since 2008. Throughout the Track Record Period, we have complied with the relevant requirements of the PBOC. From October 24, 2015 to the Latest Practicable Date, the PBOC has not further adjusted the statutory deposit reserve ratio.

Date of adjustment	**Deposit reserve ratios (%)**
January 25, 2008	15.0
March 25, 2008	15.5
April 25, 2008	16.0
May 20, 2008	16.5
June 15, 2008	17.0
June 25, 2008	17.5
September 25, 2008	16.5
October 15, 2008	16.0
December 5, 2008	14.0
December 25, 2008	13.5
January 18, 2010	14.0
February 25, 2010	14.5
May 10, 2010	15.0
November 16, 2010	15.5
November 29, 2010	16.0
December 20, 2010	16.5
January 20, 2011	17.0
February 24, 2011	17.5
March 25, 2011	18.0
April 21, 2011	18.5
May 18, 2011	19.0
June 20, 2011	19.5
December 5, 2011	19.0
February 24, 2012	18.5
May 18, 2012	18.0
June 16, 2014	17.5
February 5, 2015	17.0
February 16, 2015	16.5
April 20, 2015	15.5
September 6, 2015	15.0
October 24, 2015	14.0

Source: PBOC

SUPERVISION OVER CAPITAL ADEQUACY

Latest CBRC Supervisory Standards Over Capital Adequacy

Prior to March 1, 2004, commercial banks were required to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%, calculated based on the following formulae in accordance with the CBRC requirements:

$$\text{Capital adequacy ratio} = \frac{\text{Capital - capital deductions}}{\text{On- and off-balance sheet risk-weighted assets}} \times 100\%$$

$$\text{Core capital adequacy ratio} = \frac{\text{Core capital - core capital deductions}}{\text{On- and off-balance sheet risk-weighted assets}} \times 100\%$$

On February 23, 2004, the CBRC issued the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks which became effective on March 1, 2004 and was amended on July 3, 2007. The Administrative Measures on the Capital Adequacy Ratio of Commercial Banks have been superseded by the Measures for Administration on Capital of Commercial Banks (Provisional) which became effective on January 1, 2013. The Administrative Measures on the Capital Adequacy Ratio of Commercial Banks require commercial banks to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%. In addition, they require commercial banks to calculate their capital adequacy ratios after taking into account adequate allowances made for various losses, such as the allowance for loan losses.

In accordance with the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks, capital adequacy ratios were calculated based on the following formulae in accordance with the CBRC requirements:

$$\text{Capital adequacy ratio} = \frac{\text{Capital - capital deductions}}{\text{Risk-weighted assets + 12.5 x capital charge for market risk}} \times 100\%$$

$$\text{Core capital adequacy ratio} = \frac{\text{Core capital - core capital deductions}}{\text{Risk-weighted assets + 12.5 x capital charge for market risk}} \times 100\%$$

In the preceding formula:

Capital	Includes both core capital and supplementary capital.
Core Capital	Includes paid-in capital or common shares, capital reserve, surplus reserve, general reserve, retained earnings and minority interests.
Supplementary Capital	Includes up to 70% of the reserve for revaluation, general provisions, preference shares, qualifying convertible bonds, qualifying long-term subordinated debt, qualifying hybrid capital bonds and changes in fair value. (any positive change of no more than 50% to the fair value of available-for-sale bonds that have been included as part of the owners' equity interests may be calculated as supplementary capital; and any negative change to the fair value shall be deducted from supplementary capital in full. When a commercial bank calculates its capital adequacy ratio, it shall transfer the fair value of available- for-sale bonds that have been included in the capital reserves from the core capital into the supplementary capital).
Capital deductions	Include goodwill, capital investments in non-consolidated financial institutions, and equity investments in non-banking financial institutions and enterprises and capital investment in real estate not for self-use.
Core capital deductions	Include goodwill, 50% of capital investments in non-consolidated financial institutions, and 50% of equity investments in non- banking financial institutions and enterprises and capital investment in real estate not for self-use.
Risk-weighted assets	Refer to the assets calculated by multiplying the value of on-and off-balance-sheet assets by their corresponding risk weightings, after taking into account risk-mitigating factors.
Market risk capital	Refers to the capital reserve that a bank is required to maintain for the market risks relating to its assets. Domestic banks with total trading book positions greater than the lower of 10% of the bank's total on- and off-balance sheet assets and over RMB8,500 million are required to make provisions for market risk capital.

On June 7, 2012, the CBRC announced the Measures for Administration on Capital of Commercial Banks (Provisional), setting up a new capital adequacy regulatory system by reference to Basel III to replace the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks. Measures for Administration on Capital of Commercial Banks (Provisional) have been in effect since January 1, 2013. In particular, the Measures for Administration on Capital of Commercial Banks (Provisional) establish a unified and comprehensive capital adequacy regulatory system, redefine the meaning of capital, enlarge the scope of risks to be covered by capital, stress on the scientific classification and differentiated supervision of the capital adequacy levels of commercial banks and give commercial banks a transitional period for meeting the new capital adequacy requirements.

Under the Measures for Administration on Capital of Commercial Banks (Provisional), capital adequacy ratios are calculated according to the following formulae in accordance with the CBRC requirements:

$$\text{Capital adequacy ratio} = \frac{\text{Total capital - corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

$$\text{Tier 1 capital adequacy ratio} = \frac{\text{Tier 1 capital} - \text{corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

$$\text{Core tier 1 capital adequacy ratio} = \frac{\text{Core tier 1 capital} - \text{corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

In the preceding formula:

Total capital	Includes core tier 1 capital, other tier 1 capital and tier 2 capital.
Tier 1 capital	Includes core tier 1 capital and other tier 1 capital.
Core tier 1 capital	Includes paid-up capital or ordinary shares, capital reserve, surplus reserve, general risk reserve, undistributed profit, qualifying capital from minority interests.
Other tier 1 capital	Includes other tier 1 capital instruments and their premium, qualifying capital from minority interests.
Tier 2 capital	Includes tier 2 capital instruments and their premium, excess loss allowance and qualifying capital from minority interests.

Corresponding capital deductions	Refer to the respective items that should be deducted when commercial banks calculate the capital adequacy ratios of different tiers.
Risk-weighted assets	Include credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets.

Commercial banks may adopt the weighting method or the internal rating-based approach to measure credit risk-weighted assets.

Market risk-weighted assets represent 12.5 times of capital charge for market risk. The measurement of capital charge for market risk shall cover interest rate risk and stock risk in trading accounts of commercial banks, as well as all exchange rate risk and commodity risk. Commercial banks may adopt standardized approach or internal model method to measure capital charge for market risk.

Operational risk-weighted assets represent 12.5 times of capital charge for operational risk. Commercial banks may adopt basic indicator approach, standardized approach or advanced measurement approach to measure capital charge for operational risk.

The following table sets forth risk weightings for different assets.

Items	Risk weightings
a. Cash	
i. Cash in vault	0%
ii. Gold	0%
iii. Deposits at the PBOC	0%
b. Claims on central government and central bank	
i. Claims on the PRC central government	0%
ii. Claims on the PBOC	0%
iii. Claims on the governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are AA- (including AA-) or higher[1]	0%
iv. Claims on the governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are between AA- and A- (including A-)[1]	20%
v. Claims on the governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are between A- and BBB- (including BBB-)[1]	50%
vi. Claims on the governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are between BBB- and B- (including B-)[1]	100%
vii. Claims on the governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are below B-[1]	150%

Items	Risk weightings
viii. Claims on the governments or central banks of other countries or jurisdictions without ratings	100%
c. Claims on public-sector entities	20%
d. Claims on domestically incorporated financial institutions	
i. Claims on policy banks (not including subordinated bonds)	0%
ii. Claims on asset management companies invested by the PRC central government	
1. Claims on debts issued by asset management companies by way of private placements for purposes of acquiring non-performing loans of state-owned banks	0%
2. Other claims on asset management companies	100%
iii. Claims on domestically incorporated commercial banks (not including subordinated bonds)	
1. With an original maturity of three months or shorter	20%
2. With an original maturity over three months	25%
iv. Claims on subordinated bonds issued by domestically incorporated commercial banks (part not deducted)	100%
v. Claims on other domestically incorporated financial institutions	100%
e. Claims on financial institutions and public-sector entities incorporated in other countries or jurisdictions	
i. Claims on commercial banks or public-sector entities where the credit ratings for such countries or jurisdictions are AA- (including AA-) or higher(1)	25%
ii. Claims on commercial banks or public-sector entities where the credit ratings for such countries or jurisdictions are between AA- and A- (including A-)(1)	50%
iii. Claims on commercial banks or public-sector entities where the credit ratings for such countries or jurisdictions are between A- and B- (including B-)(1)	100%
iv. Claims on commercial banks or public-sector entities where the credit ratings for such countries or jurisdictions are below B-(1)	150%
v. Claims on commercial banks or public-sector entities without credit ratings for such countries or jurisdictions	100%
vi. Claims on multilateral development banks, the Bank of International Settlement and the International Monetary Fund	0%
vii. Claims on other financial institutions	100%
f. Claims on ordinary enterprises	100%
g. Claims on qualified small and micro enterprises	75%
h. Claims on individuals	
i. Residential mortgage loans	50%
ii. The supplementary part of a supplementary financial facility secured by the re-evaluated net value of a mortgaged residence before the purchaser has paid up all the loans	150%
iii. Other claims on individuals	75%
i. The balance of rental assets	100%

Items	Risk weightings
j. Equity	
i. Equity investments in financial institutions (part not deducted)	250%
ii. Passive equity investments in business enterprises	400%
iii. Equity investment in business enterprises for policy reasons upon the extraordinary approval of the State Council	400%
iv. Other equity investments in business enterprises	1250%
k. Real estate not for own use	
i. Real estate not for own use, obtained by practicing mortgage rights within the lawful disposition period	100%
ii. Other real estate not for own use	1250%
l. Other assets	
i. Net deferred tax assets in reliance on the bank's future profit (part not deducted)	250%
ii. Other assets on balance sheet	100%

Note:

1. These ratings refer to credit ratings of Standard & Poor's or the equivalent thereof.

Regulatory Requirements in respect of Capital Adequacy Ratios

Regulatory requirements in respect of the capital adequacy ratios of commercial banks include the minimum capital requirement, capital conservation buffer requirement, countercyclical capital buffer requirement, additional capital requirement for systematically important banks and capital requirement under the second pillar.

The capital adequacy ratio of commercial banks at each tier must meet the following minimum requirements:

- capital adequacy ratio shall not be lower than 8%;
- tier 1 capital adequacy ratio shall not be lower than 6%; and
- core tier 1 capital adequacy ratio shall not be lower than 5%.

Commercial banks are required to calculate and set aside their capital conservation buffer after meeting the minimum capital requirements. The capital conservation buffer is required to be equal to 2.5% of risk-weighted assets and is to be fulfilled by core tier 1 capital. Under certain circumstances, commercial banks are required to calculate and set aside capital for meeting countercyclical capital buffer requirements in addition to meeting the minimum capital requirements and the minimum capital conservation buffer requirements. The countercyclical capital buffer is required to be in the range of 0% to 2.5% of risk-weighted assets and to be fulfilled by core tier 1 capital.

In addition, the systematically important banks in the PRC are required to calculate and set aside additional capital in an amount equal to 1% of their risk-weighted assets, which is to be fulfilled by core tier 1 capital. If a Chinese bank is recognised as a globally systematically important bank, the additional capital requirement applicable to it cannot be less strict than those requirements generally provided for by the Basel Committee on Banking Supervision. As of the Latest Practicable Date, the Chinese regulator had issued no standards for determining, and no list of, such systematically important banks.

Furthermore, the CBRC has the right to impose more prudent capital requirements under the second pillar framework in order to ensure adequate risk coverage, including:

- specific capital requirements imposed in respect of some asset portfolios on the basis of risk judgments; and

- specific capital requirements imposed in respect of an individual bank according to the results of supervisory inspections.

Time Limit for Meeting the Requirements

The Measures for Administration on Capital of Commercial Banks (Provisional) provide that commercial banks are required to meet the regulatory requirements on capital adequacy ratios as set forth in those measures before the end of 2018, and where conditions permit, commercial banks are encouraged to meet the requirements ahead of schedule.

To ensure the smooth implementation of the Measures for Administration on Capital of Commercial Banks (Provisional), on November 30, 2012 the CBRC issued the Notice on Relevant Matters in Relation to Transitional Period Arrangements for the Implementation of the Measures for Administration on Capital of Commercial Banks (Provisional) (《關於實施商業銀行資本管理辦法(試行)過渡期安排相關事項的通知》). This notice provides that commercial banks must meet the minimum capital requirements and also provides that the systematically important banks in the PRC are required to meet the additional capital requirements before January 1, 2013. During the transitional period, the capital reservation buffer requirement (2.5%) will be gradually introduced and commercial banks are required to meet the annual capital adequacy ratio requirement as follows:

		As of December 31					
Type of Bank	**Item**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Systematically Important Banks	Core tier 1 capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Tier 1 capital adequacy ratio	7.5%	7.9%	8.3%	8.7%	9.1%	9.5%
	Capital adequacy ratio	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%
Other Banks	Core tier 1 capital adequacy ratio	5.5%	5.9%	6.3%	6.7%	7.1%	7.5%
	Tier 1 capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Capital adequacy ratio	8.5%	8.9%	9.3%	9.7%	10.1%	10.5%

In addition, if the regulatory authorities require that commercial banks must set up countercyclical capital buff requirements or imposes on a single bank capital requirements under the second pillar, the regulatory authorities will prescribe a time limit for meeting the requirements. Commercial banks subject to such additional requirements are required to endeavour to meet the relevant deadlines.

Issuance of Subordinated Bonds, Hybrid Capital Bonds and Innovative Capital Instruments

Since June 17, 2004, PRC commercial banks have been permitted to issue bonds which are subordinated to the banks' other liabilities but are senior to the banks' equity capital, according to the Measures for Administration on Issuance of Subordinated Bonds of Commercial Banks (《商業銀行次級債券發行管理辦法》) jointly issued by the PBOC and the CBRC. Upon approval by the CBRC, PRC commercial banks may include such subordinated bonds in their supplementary capital. Subordinated bonds can be issued either in a public offering in the inter-bank bond market or in a private placement. PRC commercial banks may not hold an aggregate amount of subordinated bonds issued by other banks in excess of 20% of their core capital. The issuance of subordinated bonds by PRC commercial banks is subject to the approval of the CBRC. The PBOC regulates the issuance and trading of subordinated bonds in the inter-bank bond market.

On June 7, 2012, the CBRC issued the Measures for Administration on Capital of Commercial Banks (Provisional), which redefined the capital of a commercial bank from core capital and supplementary capital under the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks to core tier 1 capital, additional tier 1 capital and tier 2 capital. Also, the New Capital Adequacy Measures proposed the concept and criteria for inclusion of tier 2 capital instruments, which differ from that of subordinated debt, subordinated bonds and hybrid capital bonds. Pursuant to the Measures for Administration on Capital of Commercial Banks (Provisional), unqualified tier 2 capital instruments issued by a commercial bank before September 12, 2010 may be included in regulatory capital before January 1, 2013, but, from January 1, 2013, such instruments are to be decreased by 10% each year and, from January 1, 2022, such instruments are no longer allowed to be included in regulatory capital. For a tier 2 capital instrument issued by a commercial bank between September 12, 2010 and January 1, 2013, if the instrument has no write-down or share conversion clause but meets the other criteria for inclusion, it may be included in regulatory capital before January 1, 2013, but, from January 1, 2013, such instruments are to be decreased by 10% each year and, from January 1, 2022, such instruments are no longer allowed to be included in regulatory capital.

The Guiding Opinions on Capital Instrument Innovation of Commercial Banks (《關於商業銀行資本工具創新的指導意見》) issued by the CBRC on November 29, 2012 allow and encourage commercial banks to innovate capital instruments (including tier 2 capital instruments) which comply with the Measures for Administration on Capital of Commercial Banks (Provisional). Pursuant to the guiding opinions, Additional tier 1 capital and tier 2 capital instruments issued by a commercial bank after January 1, 2013 must contain a provision that requires such instruments to either be written off or converted into common stock upon the occurrence of a triggering event. A triggering event for additional tier 1 capital instruments occurs when the core tier 1 capital adequacy ratio of the commercial bank falls to 5.125% or below. A triggering event for tier 2 capital instruments occurs upon the earlier of: (i) a decision that a write-down or share conversion, without which the commercial bank would become non-viable, as determined by the CBRC; or (ii) the decision to make a public sector injection of capital, or equivalent support, without which the commercial bank would have become non-viable, as determined by relevant authorities.

On October 30, 2013, the CSRC and the CBRC issued the Guiding Opinions on the Issuance of Corporate Bonds for Capital Supplement of Commercial Banks (《關於商業銀行發行公司債券補充資本的指導意見》), which allow commercial banks which are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or domestic commercial banks which issued overseas listed foreign shares, or other commercial banks under review which apply for initial public offerings of shares in the PRC to issue corporate bonds with the write-down terms for capital supplement according to the PRC Company Law, the Securities Law and the Administrative Measures regarding the Corporate Bonds Issuance by the CSRC. Any commercial bank planning to issue corporate bonds with write-down terms for capital supplement shall design suitable terms in connection with such bonds, form a practicable plan for the issuance of such bonds and submit a confirmation to the CBRC regarding the capital nature of such bonds, all of which must be conducted in accordance with the relevant regulations ,such as the Rules Governing Capital Management of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行) 》), the Guiding Opinions on the Innovation of Capital Instruments by Commercial Banks Issued by the CBRC (Yin Jian Fa No. [2012] 56) (《中國銀監會關於商業銀行資本工具創新的指導意見》(銀監發[2012]56號)), the Guiding Opinions on the Implementation of the Rules Governing Capital Management of Commercial Banks (Provisional) Issued by the CBRC (Yin Jian Fa No. [2013] 11) (《中國銀監會關於做好<商業銀行資本管理辦法(試行)>實施工作的指導意見》(銀監發〔2013〕11號)). In addition, the issuance of such bonds shall also be subject to a supervisory notice by the CBRC. After obtaining the supervisory notice, the commercial bank shall prepare the issuance application document, and submit to the CSRC for approval under the Administrative Measures regarding the Corporate Bonds Issuance by the CSRC (in respect of public issue) , or for filing under the relevant operation rules of the stock exchange(in respect of non-public issue).

On April 3, 2014, the CBRC and the CSRC issued Guiding Opinions on Commercial Banks Offering Preferred Shares to Replenish Tier 1 Capital (Yin Jian Fa [2014] No.12) (《關於商業銀行發行優先股補充一級資本的指導意見》) (銀監發[2014] 12號), which allows commercial banks to offer preferred shares to replenish Tier 1 Capital. Pursuant to the guiding opinions, to offer preferred shares, a commercial bank shall satisfy the relevant provisions of the State Council and the CSRC and the conditions set forth by the CBRC for issuance of capital instruments, and maintain its core tier 1 capital adequacy ratio at or above the prudential supervision requirement of the CBRC. The offering by commercial banks of preferred shares to replenish tier 1 Capital shall meet other qualifying criteria of Tier 1 Capital instruments as stipulated in Measures for Administration on Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) and Guiding Opinions of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (Yin Jian Fa [2012] No. 56) (《中國銀監會關於商業銀行資本工具創新的指導意見》) (銀監發[2012] 56號). To offer preferred shares, a commercial bank shall apply to the CBRC by submitting the application documents. After obtaining an approval document from the CBRC, a commercial bank shall submit an application for offering of preferred shares to the CSRC. The CSRC shall grant a confirmation in accordance with the Measures for the Administration of the Pilot Program of Preferred Shares (《優

先股試點管理辦法》) and the related rules. To offer preferred shares, an unlisted commercial bank shall, in accordance with the relevant requirements of the CSRC, apply for quotation and public transfer of its stock on the National Equities Exchange and Quotations, and be included in supervision as an unlisted public company.

CBRC's Supervision of Capital Adequacy

The CBRC is responsible for supervising the capital adequacy of banking institutions in the PRC. It reviews and evaluates banking institutions' capital adequacy through both on-site examination and off- site surveillance. Commercial banks are required to report to the CBRC their unconsolidated capital adequacy ratios on a quarterly basis and their consolidated capital adequacy ratios on a semi-annual basis. Under the Measures for Administration on Capital of Commercial Banks (Provisional), commercial banks are classified into four categories based on their capital adequacy ratios as follows:

- Grade I commercial banks: commercial banks which meet all the capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio in these Measures;

- Grade II commercial banks: commercial banks which fail to meet the second pillar capital requirements but meet all other capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio.;

- Grade III commercial banks: commercial banks which meet all the minimum capital requirements but fail to meet other capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio; and

- Grade IV commercial banks: commercial banks which fail to meet the minimum capital requirement for any of capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio.

In respect of a Grade I commercial bank, the CBRC will support the steady development of its businesses. To prevent any rapid decrease of its capital adequacy ratios, the CBRC may take the following precautionary regulatory measures:

- to require the commercial bank to improve the analysis and forecast of the reasons for the decrease of its capital adequacy ratios;

- to require the commercial bank to formulate a practicable capital adequacy ratio management plan; and

- to require the commercial bank to improve its risk control capability.

In respect of a Grade II commercial bank, in addition to the regulatory measures for Grade I commercial banks, the CBRC may take the following regulatory measures:

- to hold talks on prudent practice with the board of directors and the senior management of the commercial bank;
- to issue a regulatory opinion, which must include the problems identified with the capital management of the commercial bank, the proposed measures for rectification and the opinion on meeting the requirements within the prescribed time limit;
- to require the commercial bank to formulate a practicable capital supplement plan and the plan for meeting the requirements within the prescribed time limit;
- to increase the frequency of supervision and inspection of the capital adequacy of the commercial bank; and
- to require the commercial bank to take risk buffer measures for specific risk areas.

In respect of a Grade III commercial bank, in addition to the regulatory measures for Grade I and Grade II commercial banks, the CBRC may take the following regulatory measures:

- to restrict the commercial bank from distributing dividends and other income;
- to restrict the commercial bank from granting any form of incentives to directors and senior managers;
- to restrict the commercial bank from making equity investments or repurchasing capital instruments;
- to restrict the commercial bank from incurring major capital expenditure; and
- to require the commercial bank to control the growth of risky assets.

In respect of a Grade IV commercial bank, in addition to the regulatory measures for Grade I, Grade II and Grade III commercial banks, the CBRC may take the following regulatory measures:

- to require the commercial bank to significantly downsize risky assets;
- to order the commercial bank to suspend all high-risk asset businesses;
- to restrict or prohibit the commercial bank from establishing new institutions or launching new businesses;
- to require the commercial bank to write down tier 2 capital instruments or convert them into ordinary shares;

- to order the commercial bank to change its directors or senior management or restrict their rights;

- to take over the commercial bank or procure the institutional reorganisation of, or even dissolve, the commercial bank; and

- to consider other external factors and take other necessary measures in order to solve the problems faced by Grade IV commercial banks.

Introduction of the New Leverage Requirements

In an effort to supplement the effect of risk-based capital adequacy requirements, on June 1, 2011, the CBRC issued the Administrative Measures on the Leverage Ratio of Commercial Banks (商業銀行槓桿率管理辦法), which came into effect on January 1, 2012 and which introduced new leverage requirements.

Pursuant to these measures, commercial banks are required to maintain a leverage ratio not lower than 4%, notwithstanding the consolidation of statements. The formula for calculating the leverage ratio is as follows:

$$\text{Leverage ratio} = \frac{\text{Tier 1 capital — tier 1 capital deductions}}{\text{Balance of adjusted on-balance sheet assets + balance of adjusted off-balance sheet assets — tier 1 capital deductions}} \times 100\%$$

Commercial banks are required to report to the CBRC their consolidated leverage ratios on a semi- annual basis and their unconsolidated leverage ratios on a quarterly basis. For a commercial bank which fails to meet the minimum leverage ratio, the CBRC may take regulatory measures including requiring the commercial bank to: (i) supplement its tier 1 capital within a specified period; (ii) control the growth of its on-and-off balance sheet assets; and (iii) reduce the size of its on-and off-balance sheet assets. If the commercial bank fails to rectify its non-compliance within the specified period, or its behaviour has seriously endangered its sound and sustainable operation or damaged the legitimate interests of depositors or other clients, the CBRC may take relevant regulatory measures pursuant to the PRC Banking Supervision and Regulatory Law. In addition to the above-mentioned measures, the CBRC may also impose an administrative penalty upon the commercial bank.

The above measures also provide that systematically important banks are required to meet the regulatory requirements on leverage ratio before the end of 2013 whilst non-systematically important banks are required to meet such requirements before the end of 2016.

On January 30, 2015, CBRC issued the revised Administrative Measures on Leverage Ratio of Commercial Banks, which were implemented on April 1, 2015. Pursuant to these Administrative Measures, the formula for calculating the leverage ratio is as follows:

$$\text{Leverage ratio} = \frac{\text{Tier 1 capital — tier 1 capital deductions}}{\text{Balance of adjusted on-balance sheet and off-balance sheet assets}} \times 100\%$$

The above revised Administrative Measures also provided that systematically important banks are required to meet the minimum regulatory requirement with effect from the date of implementation of such Administrative Measures, and other commercial banks shall meet the minimum regulatory requirement by the end of 2016.

Basel Accords

The Basel Capital Accord, or Basel I, was introduced by the Basel Committee on Banking Supervision, or the Basel Committee, in 1988. Basel I is a capital measurement system for banks that provides for the implementation of a credit risk measurement framework with a minimum capital adequacy ratio of 8%. Since 1998, the Basel Committee has issued certain proposals for Basel II, to replace Basel I. Basel II retained the key elements of Basel I, including the general requirement for banks to hold total capital equivalent to at least 8% of their risk-weighted assets, but sought to improve the capital framework in various key respects, including: (i) establishment of the "three pillars" framework, namely the first pillar "minimum capital standard," the second pillar "supervision and regulation by regulatory authorities" and the third pillar "information disclosure"; and (ii) introducing material changes to the calculation of capital adequacy. In response to the deficiencies in financial regulation revealed by the 2008 financial crisis, the Basel Committee on Banking Supervision started to advance the global financial regulatory reform in an effort to further strengthen the regulation, supervision and risk management of the banking industry. In such circumstances, Basel III was drafted and then endorsed by G20 Leaders at their November 2010 Seoul summit. On December 16, 2010, Basel III was officially issued by the Basel Committee on Banking Supervision. Basel III enhances micro-prudential regulation and supervision and adds a macro-prudential overlay. These two approaches to supervision are complementary as greater resilience at the individual bank level reduces the risk of system wide shocks. In summary, Basel III: (i) strengthens capital adequacy in capital resources, risk-weighted assets and capital ratios by requiring banks to hold more higher-quality capital against more conservatively calculated risk-weighted assets; (ii) introduces a new leverage ratio as a backstop to the risk-based requirement, which is aimed at promoting the build up of capital that can be drawn down in periods of stress; and (iii) introduces two new global liquidity standards, which aim to ensure that adequate funding is maintained in case of crisis.

The CBRC promulgated and amended the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks on February 23, 2004 and July 3, 2007, respectively. The CBRC has advised that the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks are based on Basel I, whilst also taking into consideration certain aspects of Basel II. On February 28, 2007, the CBRC issued the Guidelines on Implementation of the New Capital Accord in PRC Banking Industry (《中國銀行業實施新資本協議指導意見》), which required large commercial banks, which have set up active operational entities in other countries or regions (including Hong Kong and Macau) and have a significant international business, to implement Basel II by the end of 2010, or with the CBRC's approval, no later than the end of 2013. In March 2009, China officially joined the Basel Committee and participated in the establishment of international standards for banking supervision, which is conducive to the upgrading of supervision techniques and supervision levels in China's banking industry.

In line with the reform of Basel Accords and the implementation of Basel III, on April 27, 2011, the CBRC promulgated the Guiding Opinions on the Implementation of New Regulatory Standards in China's Banking Industry (《中國銀行業監督管理委員會關於中國銀行業實施新監管標準的指導意見》), which set out the key targets and principles for the reform of China's capital regulatory framework. On June 1, 2011, the CBRC issued the Administrative Measures on the Leverage Ratio of Commercial banks. On June 7, 2012, the CBRC issued the Measures for Administration on Capital of Commercial Banks (Provisional). The Measures for Administration on Capital of Commercial Banks (Provisional) came into effect on January 1, 2013 and superseded the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks and the various guidelines mentioned above. In an effort to enhance the effectiveness of capital supervision, improve the risk management capability of commercial banks and strengthen the constraint function of the market, on July 19, 2013, the CBRC issued the following four policy documents to complement the Measures for Administration on Capital of Commercial Banks (Provisional): the Measurement Rules for Risk Exposure Capital of Central Counterparties (《中央交易對手風險暴露資本計量規則》); the Supervisory Requirements Concerning Information Disclosure on the Capital Composition of Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》); the Supplemental Supervisory Requirements Concerning the Implementation of Internal Ratings-based Approach by Commercial Banks (《關於商業銀行實施內部評級法的補充監管要求》); and the Questions and Answers Regarding the Capital Supervisory Policy (《資本監管政策問答》).

LOAN CLASSIFICATION, ALLOWANCES AND WRITE-OFFS

Loan Classification

Banks in the PRC are currently required to classify loans under a five-category loan classification system to estimate the likelihood of full repayment of principal and interest by debtors on time, in accordance with the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》) issued by the CBRC on July 3, 2007. The five categories are "pass", "special mention", "substandard", "doubtful" and "loss". The primary factors for evaluating the likelihood of repayment include the borrower's cash flow, financial conditions and other non-financial conditions affecting the ability of repayment.

Loan Loss Allowance

According to the Guidelines of Risk-based Classification of Loans, a loan classified as substandard, doubtful or loss is considered to be non-performing, and commercial banks are required to make allowance based on a reasonable estimate of the probable loss on a prudent and timely basis.

According to the Guidelines on Loan Loss Allowance (《貸款損失準備計提指引》) issued by the PBOC on April 2, 2002, the allowance for impairment losses consists of a general allowance, a specific allowance and a special allowance. General allowance refers to the allowance for all unidentified but possible losses, which are made based on certain percentages of the balance of total outstanding loans; specific allowance refers to the allowance made for specific losses in connection with an individual loan based on its categorisation under the Guidelines of Risk-based Classification of Loans; and special allowance refers to the allowance made for the risks specifically related to certain countries, regions, industries, or certain types of loans.

Under the Guidelines on Loan Loss Allowance, commercial banks are required to make a general loan loss allowance on a quarterly basis and to have a general allowance of not less than 1% of the total loans outstanding as of the end of any year. The guidelines provide additional guidance on the level of specific allowance as a percentage of the outstanding amount of loans for each loan category: 2% for special mention loans; 25% for substandard loans; 50% for doubtful loans and 100% for loss loans. Allowance for losses of substandard and doubtful loans may be set aside within a range of 20%. Commercial banks may make special allowance in accordance with special risk factors (including risks in association with certain industries and countries), probability of losses and historical experience.

In accordance with the Administrative Measures for Loan Loss Allowance of Commercial Banks (《商業銀行貸款損失準備管理辦法》), which became effective on January 1, 2012, the adequacy of loan loss allowance of commercial banks is assessed based on its loan provision ratio and its provision coverage ratio, the benchmarks of which are 2.5% and 150%, respectively. The higher of the two ratios will be taken to be the supervisory standard. The boards of directors of commercial banks are required to assume ultimate responsibility for the management of loan loss allowance. Systematically important banks are required to reach the standard before the end of 2013. Non-systematically important banks are required to reach such standard before the end of 2016 and those failing to reach the standard before the end of 2016 are required to formulate a plan on how to reach such standard, submit the same to the CBRC and reach such standard before the end of 2018 at the latest.

CBRC's Supervision of Loan Classification and Loan Loss Allowance

Commercial banks are required to formulate detailed internal procedures that clearly define the responsibilities of each relevant department with respect to loan classification, approval, review and related matters. In addition, beginning in 2002, commercial banks have been required to report to the CBRC information regarding loan classification and loan loss allowance on a regular basis via quarterly report and annual report. Based on a review of these reports, the CBRC has the power to require commercial banks to explain significant changes in loan classification and loan loss allowance levels, or to carry out further inspections. Upon the effectiveness of the Administrative Measures for Loan Loss Allowance of Commercial banks on January 1, 2012, the CBRC has the power to issue a risk notice to a commercial bank and to require rectifications accordingly if the commercial bank fails to meet the relevant minimum loan loss allowance standards for a continuing period of three months; the CBRC has the power to take further regulatory actions pursuant to the PRC Banking Supervision and Regulatory Law if such non-compliance lasts for a continuing period of six months.

Loan Write-offs

Under the regulations issued by the CBRC and the MOF, commercial banks are required to establish a strict audit and approval process to write off loan losses. In order to be written off, a loan needs to meet the standards set by the MOF. Losses realised when writing off loans are deductible before tax, but such deduction is required to be reported to the tax authorities and subject to such authorities' review.

Allowance and Statutory General Reserve for Impairment Losses

On March 30, 2012, the MOF issued the Administrative Measures for the Provisioning for Reserves of Financial Institutions (《金融企業準備金計提管理辦法》). The balance of general reserve under these Measures, in principle, shall not be less than 1.5% of the risk-bearing assets of the financial institution at the end of the period. Financial institutions which have adopted the standardized approach to calculate the statutory general reserve should temporarily adopt the following standard risk coefficients for credit assets: 1.5% for pass loans, 3% for special mention loans, 30% for substandard loans, 60% for doubtful loans and 100% for loss loans. If the percentage of the balance of general reserve to the balance of risk-bearing assets at the end of the period for a financial institution has not yet reached 1.5%, such ratio may be achieved over a number of years, in principle, not more than 5 years.

OTHER OPERATIONAL AND RISK MANAGEMENT RATIOS

The Core Indicators (Provisional) issued by the CBRC became effective on January 1, 2006.

The table below sets out the required ratios as provided in the Core Indicators (Provisional) and our Bank's ratios as of the dates indicated calculated in accordance with PRC GAAP and the CBRC requirements.

				Ratios of our Bank (%)			
				as of December 31			as of June 30
Risk level	Primary indicators	Secondary Indicators	Requirement (%)	2012	2013	2014	2015
Risk Level							
Liquidity risk	Liquidity ratio(1)	RMB	≥25	54.68	48.74	57.29	62.66
		Foreign Currency(2)		71.06	21.28	19.52	17.01
	Core liabilities ratio(3)		≥60	68.79	60.46	60.57	60.48
	Liquidity gap ratio(4)		≥-10	4.21	-9.25	-9.57	-4.43
Credit risk	Non-performing asset ratio(5)		≤4	0.32	0.41	0.44	0.42
		Non-performing loan ratio(6)	≤5	0.94	0.87	0.99	0.99
	Credit exposure to a single group customer(7)		≤15	5.50	5.20	6.25	8.71
		Loan exposure to a single customer(8)	≤10	9.13	7.02	6.89	9.00
	Overall credit exposure to related parties(9)		≤50	16.02	18.02	12.43	6.94
Market risk	Cumulative foreign currency exposure ratio(10)		≤20	0.88	1.81	1.72	1.83
Risk Cushion							
Profitability	Cost to income ratio(11)		≤45	40.55	40.47	31.26	20.46
	Return on average total assets(12)		≥0.6	1.02	0.91	1.00	1.02
	Return on average equity(13)		≥11	11.30	12.00	15.64	17.77
Allowance adequacy	Allowance adequacy ratio for asset impairment(14)		>100	510.02	396.52	431.25	N/A
		Allowance adequacy ratio for loan impairment(15)	>100	512.45	397.48	429.06	N/A
Capital adequacy	Capital adequacy ratio(16)		≥8	14.34	N/A	N/A	N/A
		Core capital adequacy ratio(16)	≥4	13.03	N/A	N/A	N/A
	Capital adequacy ratio(17)		≥8.9	N/A	10.89	10.45	8.92
		Tier 1 capital adequacy ratio(17)	≥6.9	N/A	9.76	8.64	7.03
		Core tier 1 capital adequacy ratio(17)	≥5.9	N/A	9.76	8.64	7.03

Calculated as follows:

1. Liquidity ratio = Current assets/Current liabilities x 100%. Current assets include cash, gold, surplus deposit reserve, net placement and deposits with banks and other financial institutions with maturities of one month or less, interest receivable and other receivables due within one month, qualified loans with maturities of one month or less, investment in debt securities with maturities of one month or less, debt securities that can be liquidated in the international secondary market at any time and other liquid assets with maturities of one month or less (excluding the non-performing portion of such assets). Current liabilities include demand deposits (excluding policy deposits), time deposits with remaining maturities of one month or less (excluding policy deposits), net placements and deposits from banks and other financial institutions due within one month, issued debt securities with maturities of one month or less, interest payable and all kinds of payables due within one month, borrowings from the PBOC due within one month and other liabilities due within one month.

2. Our relatively low foreign currency liquidity ratio as of the end of 2013 did not meet the 25% minimum as set out in the Core Indicators (Provisional) issued by the CBRC, which became effective on January 1, 2006. According to the Core Indicators (Provisional), the core indicators (i) form a basis for the implementation of risk supervision in commercial banks and serve as a reference system for the evaluation, monitoring and early warning of risks faced by commercial banks; and (ii) do not serve as a direct basis for administrative penalties unless otherwise stipulated by laws and regulations. CBRC further issued the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), which became effective on March 1, 2014 and stipulated that commercial banks should carry out liquidity risk identification, evaluation, monitoring and control based on domestic and foreign currencies combined and significant currencies, respectively. Our overall liquidity ratio as of December 31, 2014 and June 30, 2015 was 55.97% and 60.88%, respectively, which were above the 25% regulatory minimum. During the Track Record Period and up to the Latest Practicable Date, we submitted both RMB and foreign currency liquidity ratios to regulatory authorities on a regular basis and had not received any penalty or warning from regulatory authorities in relation to liquidity ratios. In July 2015, the CBRC Jinzhou branch issued a letter of confirmation confirming that, since January 1, 2011, we had been in compliance with PRC laws and regulations on the supervision and administration of commercial banks, and there had been no incidents that should be subject us to administrative penalties due to a breach of such laws and regulations.

   We are of the view that our relatively low foreign currency liquidity ratio as of the end of 2013 and 2014 did not have a material adverse impact on our business or financial position, because (i) our foreign currency-denominated assets constitutes a very small part of our total assets, accounting for less than 4% of our total assets as of the end of 2014; (ii) we can exchange RMB into foreign currencies in the currency exchange market to meet payment obligations if necessary; and (iii) our overall liquidity ratio (RMB and foreign currency combined) as of December 31, 2013 and 2014 and June 30, 2015 was 47.63%, 55.97% and 60.88%, respectively, well above the 25% regulatory minimum.

3. Core liabilities ratio = amount of core liabilities/amount of total liabilities x 100%. Core liabilities refer to the combined amount of time deposit with remaining maturities of three months or longer, issued debt securities and 50% of demand deposits. Total liabilities refer to total liabilities on the balance sheet prepared under PRC GAAP.

4. Liquidity gap ratio = liquidity gap/amount of on- or off-balance sheet assets with maturities of 90 days or less x 100%. Liquidity gap refers to the amount of on- or off-balance sheet assets with maturities of 90 days or less minus the amount of on- or off-balance sheet liabilities with maturities of 90 days or less.

5. Non-performing asset ratio = amount of non-performing assets subject to credit risk/Amount of assets subject to credit risk x 100%. Non-performing assets include non-performing loans and other assets categorised as non-performing. The categorisation of non-loan credit risk assets is in accordance with relevant CBRC regulations.

6. Non-performing loan ratio = amount of non-performing loans/Amount of total loans x 100%.

7. Credit exposure to a single group borrower = total credit granted to the largest group borrower/net capital x 100%. Largest group borrower refers to the single group borrower granted the highest credit limit at the end of the period.

8. Loan exposure to a single borrower = total loans to the largest borrower/net capital x 100%. Largest borrower refers to the borrower with the highest amount of loans outstanding at the end of the period.

9. Overall credit exposure to related parties = total granted credit limit to all related parties/net capital x 100%. Related parties refer to parties defined in the Administrative Measures on Connected Transactions with Insiders and Shareholders of Commercial Banks (商業銀行與內部人和股東關聯交易管理辦法). Total granted credit limit to all related parties refers to total credit limit granted to such parties minus cash deposit guarantees and collateral in the form of bank deposits and Chinese government bonds.

10. Cumulative foreign currency exposure ratio = amount of cumulative foreign currency exposure/net capital x 100%. Cumulative foreign currency exposure refers to exchange rate sensitive foreign currency assets subtracted by the balance of exchange rate sensitive foreign currency liabilities.

11. Cost-to-income ratio = total operating expenses/operating income x 100%, prepared under PRC GAAP.

12. Return on assets = net profit for a period/average balance of total assets at the beginning and the end of the period x 100%.

13. Return on equity = distributable net profit attributable to the equity shareholders of our Bank for a period/average balance of total equity attributable to equity shareholders of the parent company at the beginning and the end of the period x 100%.

14. Allowance adequacy ratio for asset impairment = actual amount of allowance for assets subject to credit risk/required amount of allowance for assets subject to credit risk x 100%.

15. Allowance adequacy ratio for loan impairment = actual amount of allowance for loans/required amount of allowance for loans x 100%.

16. Capital adequacy ratio = (capital — capital deductions)/(risk-weighted assets + 12.5 x capital charge for market risk). Core capital adequacy ratio = (core capital — core capital deductions)/(risk-weighted assets + 12.5 x capital charge for market risk).

17. Since 2013, we calculate and disclose the capital adequacy ratio according to the requirements of Measures for Administration on Capital of Commercial Banks (Provisional). Capital adequacy ratio = (total capital — corresponding capital deductions)/risk-weighted assets; tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions)/risk-weighted assets; core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions)/risk-weighted assets. Commercial banks in the PRC are required to maintain their capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio at or higher than 8.5%, 6.5% and 5.5%, respectively, as of December 31, 2013, and at or higher than 8.9%, 6.9% and 5.9%, respectively, as of December 31, 2014.

According to the Core Indicators (Provisional), the CBRC may issue risk alerts to banks based on their analysis of data submitted by commercial banks. In addition, the Core Indicators (Provisional) defined certain other ratios without providing the regulatory requirement for those ratios, including ratios relating to interest rate risk sensitivity, operational risk and loan migration. The CBRC may provide the regulatory requirement for those ratios in the future.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Corporate Governance

The PRC Company Law, the PRC Commercial Banking Law and other laws, regulations and regulatory documents provided for specific requirements for corporate governance. Among them, the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) issued by the CBRC on July 19, 2013 require commercial banks to establish a sound corporate governance system and a clear organisational structure, with management and supervisory powers, functions and responsibilities being clearly divided among the shareholders' general meeting, the board, the supervisory board and the senior management. The guidelines also require commercial banks to abide by the principles of ensuring independent operation of each governing body and maintaining effective checks and balances and mutual cooperation and coordination among them, establish reasonable incentive and restraint mechanisms in order to achieve efficiency in decision-making, execution and supervision. According to the Measures for Evaluating the Performance of Directors of Commercial Banks (Provisional) (《商業銀行董事履職評價辦法(試行)》), commercial banks are required to evaluate the performance of their directors each year and replace the directors that fail to pass the evaluation pursuant to the laws, regulations and relevant provisions. In addition, in accordance with the Supervisory Guidelines on Sound Compensation in Commercial Banks (《商業銀行穩健薪酬監管指引》), commercial banks are required to establish compensation systems in favor of the implementation of their strategic goals and the enhancement of their competitiveness in line with their talent cultivation and risk control.

As for the composition of the board of directors, according to Guidelines on the Duties of the Board of Directors of Joint Stock Commercial Banks (Provisional) (《股份制商業銀行董事會盡職指引(試行)》) issued by the CBRC on September 5, 2005, a commercial bank with a registered capital exceeding RMB 1 billion is required to have at least three independent directors. As for the composition of supervisory board, according to the Guidelines on the Functioning of Supervisory Board of Commercial Banks (《商業銀行監事會工作指引》) issued by the CBRC in 2012, the proportion of employees representative supervisors or that of external supervisors cannot be less than one third of the supervisory board.

Internal Controls

The CBRC promulgated and amended the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》) on July 3, 2007 and September 12, 2014, respectively. Under such guidelines, commercial banks are required to establish an internal control governance and organizational structure with reasonable division of work, well-defined responsibilities and clear reporting relationship, which consists of the board of directors, the board of supervisors, the senior management, the internal control management functional department, the internal auditing department and the business department. Commercial banks are required to set up a sound internal control system, formulate and regularly assess a comprehensive, systematic and normative business system and management system in respect of various business and management activities. Commercial banks shall establish a management information system and a business operating system which covers all the business operations and processes across the institutions at each level. Such systems shall promptly and accurately record the operating and management information to ensure its completeness, continuity, accuracy and traceability. Commercial banks shall establish an internal control evaluation system, which stipulates the implementation subject, frequency, content, procedure, method and standard and others, in order to ensure the normative performance of internal control evaluation. The internal auditing department, the internal control management functional department and the business department of commercial banks, which are responsible for internal control supervision and inspection, shall set up a supervision and inspection system across the institutions at each level, all the products and business processes according to their division of work and coordination. Commercial banks shall establish a reporting and information feedback system in respect of internal control supervision, under which the internal control defects found by members of the internal auditing department, the internal control management functional department and the business department shall be reported to the board of directors, the board of supervisors, the senior management and the relevant departments in a timely manner based on specified reporting routes.

On June 27, 2006, the CBRC issued the Guidelines on Internal Audit for Banking Financial Institutions (《銀行業金融機構內部審計指引》) which became effective on July 1, 2006. Pursuant to the guidelines, banks are required to establish an audit committee of the board with at least three members, a majority of whom must be non-executive directors. Banks are also required to have an Internal Audit Department with employees who meet certain qualifications, which shall in principle represent 1% of the bank's total number of employees. The guidelines set forth the required scope of the Internal Audit Department. Banks are required to evaluate the risk of each business unit at least once per year and conduct internal audit of each business unit at least once every two years. The number of employees responsible for our internal auditing function is based on our risk management demand. As of December 31, 2014, we had 76 internal audit employees, representing 1.96% of our total number of employees.

On May 22, 2008, the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》) were issued jointly by the MOF, the CBRC, the NAO, the CSRC and the CIRC and became effective on July 1, 2009. The rules require enterprises to establish and implement internal control systems, utilize information technology to strengthen internal control, and establish information systems in line with their operational and management needs.

In accordance with the Guidelines on the Corporate Governance of Commercial Banks issued by the CBRC on July 19, 2013, commercial banks are required to establish an accountability system for a sound internal control environment. Under this system, the board of directors and senior management are required to maintain differentiated accountability for the effectiveness of internal control and are required to be liable for material losses caused by a breakdown in internal control. In addition, the supervisory board is required to perform its supervisory obligations by supervising directors and senior management, and refining the system and rules of internal control. Commercial banks are required to establish a relatively independent department for effectively supervising and evaluating internal control, which should provide effective supervision and evaluation of the establishment and implementation of the internal control system, and may report directly to the board of directors, supervisory board and senior management on the progress of developing the internal control system and its enforcement.

On June 2, 2015, the General Office of CBRC promulgated the Notice on the Strengthening of the Internal Control Management by Banking Financial Institutions to Effectively Prevent Operational Risks of Over-the-counter Business (《關於加強銀行業金融機構內控管理有效防範櫃面業務操作風險的通知》), requiring commercial banks to strengthen, amongst other things, the establishment of an internal control management mechanism, the establishment of "Three Lines of Defense", procedures control of over-the-counter services, management of account opening, management in reconciliation, monitoring of account, management of seal and documentation, management of commission agent business, risk warning, management on safety of customer information, supervision and control of sound and image recordings, management of business premises, management of employees' behavior, handling of risk affairs, joint inspection on and dual rectification of risk affairs, dual accountability of risk affairs and internal report and verification.

Information Disclosure Requirements

On July 3, 2007, the CBRC issued the Measures for the Information Disclosure of Commercial Banks (《商業銀行信息披露辦法》) which became effective on the same day. Under these measures, a PRC commercial bank is required to publish an audited annual report within four months of the end of each financial year disclosing its financial position and operational results.

In accordance with the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the board of directors of a commercial bank shall be responsible for the information disclosure of such bank. The documents required for such disclosure include regular reports, temporary reports and other relevant materials. Commercial banks are required to disclose relevant information in their annual reports and on their websites to provide convenient access and to enable their shareholders and stakeholders to obtain the disclosed information on time. Listed commercial banks also need to satisfy other information disclosure requirements promulgated by the securities regulatory authorities.

The Information Disclosure Rules on Companies Publicly Offering Securities No. 26 — Special Disclosure Rules on Commercial Banks (《公開發行證券的公司信息披露編報規則第26號 — 商業銀行信息披露特別規定》), which was issued by the CSRC on July 25, 2008, became effective on September 1, 2008 and was amended on January 6, 2014, set out guidelines on information disclosure, including financial and risk-related disclosure by commercial banks offering securities to the public. The rules also require commercial banks to publish announcements in relation to events which may have a material impact on their operational capability or profitability.

Transactions with Related Parties

The CBRC issued the Administrative Measures on Connected Transactions with Insiders and Shareholders of Commercial Banks (《商業銀行與內部人和股東關聯交易管理辦法》) in April 2004, which provided more stringent and detailed requirements on the related party transactions of PRC commercial banks. These measures require PRC commercial banks to adhere to the principles of honesty and fairness in conducting related party transactions. PRC commercial banks are not allowed to grant unsecured loans to related parties. Under PRC laws and regulations, related party transactions of commercial banks are required to be based on normal commercial principles and on terms no more favourable than similar transactions with non-related parties.

These measures also set out detailed provisions on the definition of a related party, the form and content of a related party transaction as well as the procedures and principles which must be followed for related party transactions.

Pursuant to these measures, commercial banks must submit to the CBRC, on a quarterly basis, status reports regarding their related party transactions, and must disclose matters relating to related parties and related party transactions in their financial statements. Furthermore, the board of directors is required to report related party transactions and the implementation of mechanisms to monitor and approve such transactions annually at shareholder meetings. The CBRC has the power to request the rectification of transactions that violate these measures and to impose sanctions on the bank and/or the related parties.

OWNERSHIP AND SHAREHOLDER RESTRICTIONS

Regulations on Equity Investment in Banks

Pursuant to the PRC Commercial Banking Law and the Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks (《中國銀行業監督管理委員會中資商業銀行行政許可事項實施辦法》), applications by the city commercial banks to change the shareholders who own 5% or more of their total capital or total shares and applications of investments in shares by foreign financial institutions shall be handled and approved by CBRC's local branch offices. The city commercial banks shall report to CBRC's local branch offices within 10 days after they have changed the shareholders who own more than 1% but less than 5% of their total capital or total shares. Pursuant to the PRC Commercial Banking Law, if any shareholder of a commercial bank acquires more than 5% of the total shares of the commercial bank, without obtaining the prior approval, that shareholder will be subject to the sanctions of the CBRC, which include, among others, rectification of such violations, confiscation of illegal gains, if any, and fines.

Under the Measures for the Administration of the Investment and Shareholding in Chinese-funded Financial Institutions by Foreign Financial Institutions (《境外金融機構投資入股中資金融機構管理辦法》) issued by the CBRC on December 8, 2003, foreign financial institutions that meets certain conditions can make investment or hold shares in PRC commercial banks, subject to the CBRC's approval. However, no single foreign financial institution may own 20% or more of the equity of such a bank. In addition, if foreign investment in aggregate exceeds 25% of the total share capital in a non-listed PRC commercial bank, such bank will be regulated as a foreign-invested bank. Listed PRC commercial banks are regulated as a PRC bank even if foreign investment in aggregate exceeds 25% of its total share capital.

Restrictions on Shareholders

The Guidelines on Corporate Governance of Commercial Banks impose certain additional requirements on shareholders of commercial banks. For example:

- shareholders, especially substantial shareholders, are required to support the capital planning formulated by the board of directors of the commercial bank so that the capital of the bank can meet the regulatory requirements on an on-going basis;

- if a commercial bank fails to meet the regulatory requirements, it is required to develop a capital replenishment plan to increase capital adequacy ratio to meet regulatory requirements within a specified period of time. If the requirements are not met within the timeframe, and capital is required to be replenished by means of increasing core capital, under such circumstances, substantial shareholders cannot obstruct the capital injection moves by other shareholders or the participation of new qualified shareholders; and

- the voting rights of shareholder(s), particularly the substantial shareholder(s) at the shareholders' general meetings, as well as the voting rights of the director(s) acting as proxy(ies) of such shareholder at the board meeting, shall be subject to restrictions during the overdue period.

In addition, the PRC Company Law and relevant CBRC rules and regulations impose certain restrictions on the ability of a commercial bank's shareholders to pledge their shares. For example, a commercial bank may not accept its own shares as collateral. According to the Guidelines on Corporate Governance of Commercial Banks: (i) any shareholder of a commercial bank must give prior notice to the board of directors of the bank if it wishes to pledge its shares as collateral; and (ii) where the balance of loans extended by a commercial bank to its shareholder exceeds the audited net value of his or her equity stake for the preceding year, the shareholder cannot use his or her stake in the bank as pledge. In November 2013, the CBRC issued the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》), pursuant to which commercial banks are required to clearly stipulate the following matters in their articles of associations in addition to those as stipulated in the foresaid Guidelines on Corporate Governance of Commercial Banks: (i) in case of providing guarantee for themselves or others with their equity interest in a bank, the shareholders shall strictly comply with the requirements of laws, regulations and regulatory bodies and give a prior notice to the board of the bank. The office of the board of the bank or other departments delegated by the board shall be responsible for the collection, sortation and submission of information relating to equity pledge. Where a shareholder, who has representation on the board or the board of supervisors of a bank, or directly, indirectly or jointly holds or controls more than 2% of share capital or voting rights in the bank pledges his equity interests in the bank, it shall make a filing to the board of the bank prior to the pledge. The filing shall state the basic information of the pledge, including the reasons for the pledge, the number of shares involved, the term of pledge and the particulars of the pledgees. Where the board of the bank considers the pledge to be materially adverse to the stability of the bank's shareholding structure, the corporate governance as well as the control of risk and connected transactions, the filing shall not be accepted.

The director(s) nominated by a shareholder proposing to pledge his shares in the bank shall abstain from voting at the meeting of the board at which such proposal is considered; (ii) upon the registration of pledge of equity interests, the shareholders involved shall provide the bank with the relevant information in relation to the pledge of equity interests in a timely manner, so as to facilitate the bank's risk management and information disclosure compliance; and (iii) where a shareholder pledges 50% or more of his equity interests in the bank, the voting rights of such shareholder at shareholders' general meetings, as well as the voting rights of the director(s) designated by such shareholder at meetings of the board of the bank, shall be subject to restrictions.

The notice also stipulates that a commercial bank shall, within ten days upon occurrence of any of the following circumstances, report the same to the banking regulatory authority through channels for reporting legal person regulatory information; and the banking regulatory authority has the right to take appropriate regulatory measures regarding impacts of risks on the bank in these circumstances: (1) pledged equities of the bank have reached or exceeded 20% of all its equities; (2) the number of equities of the bank pledged by substantial shareholders has reached or exceeded 50% of the bank's equities held by such substantial shareholders; (3) the pledged equities of the bank involve freezing, judicial auction, restrictions on voting rights or other rights by law. The notice provides that the aforesaid substantial shareholders refer to shareholders who are able to hold or control, directly, indirectly or jointly, more than 5% shares or voting rights of the commercial bank or has significant influence on the decision-making of the commercial bank.

RISK MANAGEMENT

Since its inception, the CBRC has published, in addition to guidelines concerning loan and credit to certain specific industries and customers and measures in respect of the implementation of Basel Accords, numerous guidelines and rules on risk management, including market risk management, operational risk management, liquidity risk management, compliance risk management and a supervisory rating system, to improve the risk management of commercial banks in the PRC. For the guidelines concerning loans and credit to certain specific industries and customers and measures in respect of the implementation of Basel Accords, see "— Regulation of Principal Commercial Banking Activities — Lending" and "— Supervision Over Capital Adequacy — Basel Accords". The CBRC also issued the Core Indicators (Provisional) as a basis of supervising the risk management of PRC commercial banks. The CBRC established requirements for certain ratios relating to risk levels and risk provisions in the Core Indicators (Provisional) and is expected to establish requirements for certain ratios relating to risk mitigation for the purpose of evaluating and monitoring the risks of PRC commercial banks. See "— Other Operational and Risk Management Ratios". The CBRC periodically collects data through off-site surveillance to analyse such indicators and evaluate and issue early warnings of the risks on a timely basis.

Market Risk Management

On December 29, 2004, the CBRC promulgated the Guidelines on the Market Risk Management of Commercial Banks (《商業銀行市場風險管理指引》), which became effective on March 1, 2005, to strengthen the market risk management of PRC commercial banks. These guidelines mainly addressed, among other things: (i) the responsibilities of the board of directors and the senior management in supervising market risk management; (ii) the policies and procedures for market risk management; (iii) the detection, quantification, monitoring and control of market risk; and (iv) the responsibilities for internal control and external auditors.

In addition, on June 7, 2012, the CBRC issued the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) which became effective on January 1, 2013. Appendix 10 the Measurement Rules on the Standardization for the Market Risk Capital Requirements (《附件10市場風險資本要求標準法計量規則》) and Appendix 11 the Regulatory Requirements on the Internal Models for the Market Risk (《附件11市場風險內部模型法監管要求》) of these measures provided the basic standard that commercial banks should meet when using internal models to measure the market risk capital, as well as the examination and approval procedures and the regulatory requirements.

Operational Risk Management

On March 22, 2005, the CBRC issued the Circular on Strengthening Control of Operational Risk (《關於加大防範操作風險工作力度的通知》) to further strengthen PRC commercial banks' ability to identify, manage and control operational risks. Under this Circular, commercial banks are required to establish internal policies and procedures specifically for the management and control of operational risks. A bank's Internal Audit Department and business operations department are required to conduct independent and ad hoc reviews and examinations of the bank's business operations from time to time, as well as on-going reviews and examinations for business areas involving a greater degree of operational risks. Moreover, a commercial bank's headquarter is required to assess the implementation of, and compliance with, its internal policies and procedures on operational risks.

In addition, the circular sets out detailed requirements relating to, among other things: establishing a system under which officers at primary level responsible for business operations are required to rotate on a regular basis; establishing a system to encourage employees to fully comply with applicable regulations and internal rules and policies; improving the regular checking of account balances between PRC commercial banks and their customers; improving the timely checking of the banks' internal accounting; segregating persons responsible for book-keeping from those responsible for account reconciliation; and establishing a system to strictly control and manage the use and keeping of chops, specimen signatures and evidential vouchers.

Furthermore, on May 14, 2007, the CBRC issued the Guidelines on Operational Risk Management of Commercial Banks (《商業銀行操作風險管理指引》) to enhance the risk management abilities of the PRC Commercial banks. These guidelines mainly address, among other things, the supervision and controls of the board of directors, responsibilities of senior management, proper organisational structure, and policies, approaches and procedures for operational risk management. Those policies and procedures are required to be submitted to the CBRC for filing. If a significant operational risk occurs and the commercial bank fails to adopt effective corrective measures within a specified period, the CBRC has the power to take relevant regulatory measures.

Liquidity Risk Management

In order to strengthen liquidity risk management and maintain safe and stable operations of commercial banks, the CBRC issued the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional) (商業銀行流動性風險管理辦法(試行)) on January 17, 2014, effective from March 1, 2014, requiring commercial banks to establish a sound liquidity risk management system and provisions were made on, among other things, (1) the effective governance structure for liquidity risk management; (2) the comprehensive strategies, policies and procedures for liquidity risk management; (3) the effective methods of identification, measurement, monitoring and control for liquidity risk management; (4) the complete management information system. It is also stated that a PRC commercial bank's liquidity coverage ratio must reach 100% by 2018. According to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), CBRC applies the liquidity risk regulatory indicators and liquidity risk monitoring indicators to supervise and manage the liquidity risk level of commercial banks and their management. Among them, liquidity risk regulatory indicators include liquidity coverage ratio, loan-to-deposit ratio and liquidity ratio, and risk monitoring indexes include liquidity gap ratio, core liabilities ratio. On August 29, 2015, the Standing Committee of the National People's Congress approved the Decisions on Amendments to Commercial Banking Law of the PRC, which came into effect on October 1, 2015. According to the revised PRC Commercial Banking Law, loans granted by commercial banks are no longer subject to the requirements that such ratios between loan balances and deposit balances cannot exceed 75%, and the requirement that failure to comply with the abovementioned loan-to-deposit ratios would result in punishments by the banking regulatory authorities under the State Council is also cancelled. In September 2015, CBRC made amendments to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), pursuant to which, loan-to-deposit ratio was no longer one of the liquidity risk regulatory indicators, and the requirement that the loan-to-deposit ratio cannot exceed 75% was cancelled. The Revised the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional) came into effect on October 1, 2015.

Compliance Risk Management

In order to strengthen the compliance risk management of commercial banks and maintain the safety and stability of the operations of PRC commercial banks, the CBRC promulgated the Guidelines on Compliance Risk Management of commercial Banks (《商業銀行合規風險管理指引》) on October 20, 2006. These guidelines have clarified the responsibilities of the board of directors and the senior management of a PRC commercial bank with respect to compliance risk management, standardised the organisational structure for compliance risk management and set out the regulatory mechanisms for a bank's risk management.

Management of Other Risks

In addition to the above, the CBRC has issued guidelines in relation to several other risks, including the Guidelines on Reputational Risk Management of Commercial Banks (《商業銀行聲譽風險管理指引》) on August 25, 2009, the Guidelines on Bank Account Interest Risk Management of Commercial Banks (《商業銀行銀行賬戶利率風險管理指引》) on November 25, 2009, the Guidelines on Information Technology Risk Management of Commercial Banks (《商業銀行信息科技風險管理指引》) on March 3, 2009, the Guidelines on the Management of Outsourcing Risks of Banking Financial Institutions (《銀行業金融機構外包風險管理指引)》 on June 4, 2010 and the Guidelines on Country Risk Management of Banking Financial Institutions (《銀行業金融機構國別風險管理指引》) on June 8, 2010, all issued by the CBRC in an effort to strengthen commercial banks' risk management capacity in relevant fields.

Supervisory Rating System

Commercial banks in the PRC are subject to evaluation by the CBRC based on a provisional supervisory rating system. Under this system, seven major essential conditions, including capital adequacy, asset quality, management quality, profitability, liquidity, market risk and information technology risk of commercial banks are evaluated and scored by the CBRC on continuous basis. Each bank is classified into one of six supervisory rating categories based on their scores. The CBRC's supervisory activities on a certain bank, including the frequency and scope of its on-site examinations, depend on such bank's supervisory rating category. Such supervisory rating also forms the basis for the CBRC's evaluation of a bank's applications for new business licences and the evaluation of its senior management. These supervisory ratings are currently not publicly available.

Anti-money Laundering Regulation

The PRC Anti-money Laundering Law (《中華人民共和國反洗錢法》), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti- money laundering, including participating in the formulation of the rules and regulations regarding anti- money laundering activities of the financial institutions which they regulate and requiring financial institutions to establish sound internal control systems regarding anti-money laundering. To facilitate the implementation of the PRC Anti-money Laundering Law, the PBOC issued the Anti-money Laundering Regulations for Financial Institutions (《金融機構反洗錢規定》) which became effective on January 1, 2007. The PBOC promulgated the Administrative Measures for the Financial Institutions' Report of Large-sum Transactions and Suspicious Transactions (《金融機構大額交易和可疑交易報告管理辦法》) on November 14, 2006, which came into effect on March 1, 2007. Under these regulations, the PBOC and its branches shall supervise and inspect the financial institutions' report of large-sum transactions and suspicious transactions. The PBOC shall establish the China Anti-Money Laundering Monitoring and Analysis Center, which shall be responsible for accepting reports of large-sum transactions and suspicious transactions in RMB and in foreign currencies. Financial institutions shall set up special anti-money laundering posts and explicitly arrange full-time staff to be responsible for reporting large-sum transactions and suspicious transactions. Financial institutions shall work out internal management rules and operating procedures for the report of large-sum transactions and suspicious transactions and submit them to the PBOC for archival purposes. Financial institutions shall supervise and administer their subsidiaries' implementation of the rules on the report of large-sum transactions and suspicious transactions. Financial institutions shall report the large-sum transactions and suspicious transactions in RMB and in foreign currencies to the China Anti-Money Laundering Monitoring and Analysis Center. Where necessary and pursuant to appropriate judicial proceedings, PRC commercial banks are required to cooperate with government authorities in preventing money laundering activities and in freezing assets. The PBOC supervises and conducts on-site examinations of commercial banks' compliance with its anti-money laundering regulations and may impose penalties for any violations thereof. Commercial banks are required to establish a customer identification system in accordance with the Measures on the Administration of Client Identity Identification and Data and Transaction Recording of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) promulgated jointly by the PBOC, the CBRC, the CSRC and the CIRC which became effective on August 1, 2007. Commercial banks are also required to record the identities of all customers and the data relating to each transaction, and keep personal transaction records and documents. According to the Anti-Money Laundering Supervision and Management Measures for Financial Institutions (Provisional) which was announced by PBOC and came into effect on December 9, 2014, PBOC is responsible for the clarifying and adjusting the anti-money laundering supervision and division, establishing the reporting system of anti-money information and the archives management measures of anti-money laundering supervision for financial institutions, and regulating the anti-money laundering methods, measures and procedures and guiding sub-branches of PBOC on anti-money laundering work. Financial institutions shall submit relevant information about anti-money laundering according to PBOC's requirements and proactively make joint efforts in anti-money laundering work with PBOC and its sub-branches.

OTHER REQUIREMENTS

Use of Funds

Under the PRC Commercial Banking Law, commercial banks are not permitted to engage in trust investment or securities investment business, or invest in real property other than for their own use, or invest in non-banking financial institutions and enterprises, unless otherwise approved by the relevant regulatory authorities. The use of funds by commercial banks is limited to the following:

- short-term, medium-term and long-term loans;
- discounts on negotiable instruments;
- interbank loans;
- trading of government bonds;
- trading of bonds from financial institutions;
- investment in banking institutions; and
- other uses as may be approved by the relevant government authorities.

Upon obtaining approvals from the relevant authorities, including the CBRC, commercial banks are permitted to invest in fund management companies, domestic insurance companies and financial leasing companies.

On February 20, 2005, the PBOC, the CBRC and the CSRC jointly promulgated and implemented the Pilot Administrative Measures on Establishment of Funds Management Companies by Commercial Banks (《商業銀行設立基金管理公司試點管理辦法》), pursuant to which state-owned commercial banks and joint stock commercial banks are allowed to set up or acquire fund management companies after obtaining approvals from the CBRC and the CSRC. In addition, commercial banks shall adopt effective measures to prevent risks associated with capital markets and the banking industry.

On November 5, 2009, the CBRC enacted the Pilot Administrative Measures on Investment by Commercial Banks in Insurance Companies (《商業銀行投資保險公司股權試點管理辦法》). These pilot administrative measures require a pilot plan for investment by a commercial bank in a domestic insurance company to be filed with the relevant regulator for the approval of the State Council. Each commercial bank is allowed to invest in one domestic insurance company only. The pilot administrative measures also set out rules for the qualifications of a commercial bank intending to invest in a domestic insurance company and for the target insurance company itself.

On March 13, 2014, the CBRC promulgated and implemented the Administrative Measures on Financial Leasing Companies (《金融租賃公司管理辦法》), pursuant to which commercial banks can act as promoters of financial leasing companies where commercial banks are able to meet relevant requirements for capital adequacy, profitability, corporate governance and other matters.

Periodic Reporting Requirements

In accordance with the Notice of China Banking Regulatory Commission on the Official Operation of Off-site Regulatory 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 on October 20, 2006, banking institutions are required to regularly submit to the banking regulatory authorities relevant statements, including basic financial information, credit risk, liquidity risk, capital adequacy ratio and such other data as is required under such notice. In the statements required to be submitted by our Bank: the statistical statement of balance sheet items, the supervisory checklist of liquidity ratio and other similar information are required to be submitted monthly; the table of financial derivative business, the profit statement and other similar information, quarterly; the table of interest rate re-pricing risk, semi-annually; the statement of profit distribution and the table of credit quality migration and other similar information, annually.

Although our Bank will continue to submit such periodic reports to relevant regulatory bodies, given the fact that: (i) the financial information contained in such reports will not be shared with the public; and (ii) such financial information would be unaudited, our Bank does not plan to disclose the data contained in the reports by way of announcement after the Global Offering.

OUR HISTORY

Our Bank was established and started our banking business on January 22, 1997 in Jinzhou, Liaoning Province, the PRC, as Jinzhou City Cooperative Bank Co., Ltd.* (錦州城市合作銀行股份有限公司). According to the Notice of the State Council on Establishing City Cooperative Banks* (《國務院關於組建城市合作銀行的通知》) in September 1995, with approvals of the PBOC and the People's Government of Jinzhou City, our Bank was promoted and established jointly by 15 legal entities and 851 individuals from 16 urban credit cooperatives* (城市信用社) in Jinzhou (including Jinzhou Urban Credit Union* (錦州市城市信用聯社)), by using net assets of the 16 urban credit cooperatives in Jinzhou. Our then share capital was approximately RMB114.61 million.

In 1998, the PBOC and the SAIC jointly issued a circular requiring all existing city cooperative banks in the PRC that were in operation to be renamed with names ending with "city commercial bank company limited". Accordingly, we changed our name to Jinzhou City Commercial Bank Co., Ltd.* (錦州市商業銀行股份有限公司) on September 29, 1998.

With the approval of the CBRC, on June 3, 2008, the name of our Bank was further changed to Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司).

Changes in Our Share Capital and Increase of Shareholders

Since the establishment of our Bank, in order to ensure our capital sufficiency and support our business development, the share capital of our Bank has increased several times mainly by way of (i) capital contributions made by shareholders; (ii) capitalization of undistributed profits; and (iii) acquisition of credit cooperatives where our shares were used as consideration.

As of the Latest Practicable Date, the share capital of our Bank was RMB4,402,233,866 and our Bank had issued a total of 4,402,233,866 Domestic Shares with a nominal value of RMB1.00 each. The changes in our share capital since our establishment are summarized below:

Year	Changes in Share Capital
1998 & 1999..	Our share capital was increased by RMB13,900 from approximately RMB114.61 million to approximately RMB114.63 million following adjustments to the issued shares held by nine individual shareholders.
2002	Our share capital was increased by RMB43 million to approximately RMB157.63 million, through capital contributions by five corporate shareholders.
2004	Our share capital was increased by approximately RMB15.23 million to RMB172.86 million through capitalization of undistributed profits for the year 2003.

Year	Changes in Share Capital
2005	Our share capital was increased by approximately RMB9.48 million to approximately RMB182.34 million through the acquisition of 12 urban credit cooperatives with our shares issued as consideration. Our share capital was further increased by RMB83 million to approximately RMB265.34 million through capital contributions by 11 corporate shareholders and 420 individual shareholders. Our share capital was further increased by RMB56 million to approximately RMB321.34 million through capital contributions by two corporate shareholders. Our share capital was further increased by approximately RMB10.81 million to approximately RMB332.15 million through the capitalization of undistributed profits of the year 2004 after deducting the profits distributable to one of our then existing shareholders.
2006	Our share capital was increased by approximately RMB160.18 million to approximately RMB492.33 million through capital contributions by 17 corporate shareholders and 1,648 individual shareholders. Our share capital was further increased by approximately RMB17.03 million to approximately RMB509.36 million through the capitalization of undistributed profits for the year 2005 after deducting the profits distributable to two of our then existing corporate shareholders. As confirmed in the confirmation letters issued by such two corporate shareholders on 8 August 2006, such two corporate shareholders agreed that the profits distributable to them for the year 2005 should not be capitalized.
2007	Our share capital was increased by approximately RMB233.27 million to approximately RMB742.64 million through capital contributions by Jinzhou Finance Bureau and 17 corporate shareholders. Our share capital was further increased by RMB10 million to approximately RMB752.64 million through capital contributions by one corporate shareholder.
2008	Our share capital was increased by RMB10 million to approximately RMB762.64 million through capital contributions by one corporate shareholder. Our share capital was further increased by approximately RMB3.60 million to approximately RMB766.24 million through the capitalization of the undistributed profit distribution to aforementioned two corporate shareholders for the year 2005. Our share capital was further increased by RMB319.70 million to approximately RMB1,085.93 million through capital contributions by 37 corporate shareholders. Our share capital was further increased by RMB195.00 million to approximately RMB1,280.93 million through capital contributions by seven corporate shareholders.

Year	Changes in Share Capital
2009	Our share capital was increased by RMB909.50 million to approximately RMB2,190.43 million through capital contributions by Jinzhou Finance Bureau and 36 corporate shareholders.
2010	Our share capital was increased by RMB586.80 million to approximately RMB2,777.23 million through capital contributions by 15 corporate shareholders.
	Our share capital was further increased by RMB995.00 million to approximately RMB3,772.23 million through capital contributions by 18 corporate shareholders.
2012	Our share capital was further increased by RMB130.00 million to approximately RMB3,902.23 million through capital contributions by two corporate shareholders.
2014	Our share capital was further increased by RMB500 million to approximately RMB4,402.23 million through capital contributions by four corporate shareholders.

BUSINESS MILESTONES

From our establishment on January 22, 1997 to the Latest Practicable Date, we established 12 branches across Beijing, Tianjin, Liaoning Province and Heilongjiang Province, under which we had 168 sub-branches and one special institution (small enterprise financial service centre). Our Bank had four subsidiaries and had established business relationships with 544 agent banks and 15 deposit-taking banks as of the Latest Practicable Date.

Key business milestones of our business development are set out below:

Year	Event
1997	We obtained our financial institution license.
1999	We launched our debit card business.
2002	We joined national bank card system and launched our inter-bank card business.
	We launched our acceptance bill business.
2004	As of December 31, 2004, the deposit balance of our Bank reached RMB10 billion.
2005	We launched a self-servicing payment business named Jiaofeitong (繳費通).
	We launched our foreign exchange business.
2007	We issued subordinated bonds in the aggregate principal amount of RMB500 million with a term of 10 years.

Year	Event
	We obtained approval from the CBRC for the personal insurance agency business.
	We obtained approval from the CBRC for the acquisition of Fushun Urban Credit Cooperative* (撫順城市信用社) and Dandong Urban Credit Cooperative* (丹東城市信用社), indicating the beginning of our cross-regional operations.
2008	We expanded our operation beyond Liaoning Province by officially establishing the Tianjin branch.
2009	We launched the operation of the enterprise internet banking system.
2010	Our Harbin branch was officially established.
	We obtained approval from the CBRC for the issuance of civil service cards (公務卡) to civil servants.
2011	Our Beijing branch was officially established.
	We launched the operation of our internet banking system for individual customers.
	We obtained approval from the PBOC for the cross-border RMB settlement business.
2012	We launched the operation of our mobile banking system for individual customers.
	We enabled our customers to make quick payment from their debit cards via Alipay.
2013	The balance of our 7777 cards exceeded RMB10 billion and the number of cards issued exceeded 1.3 million as of April 30, 2013.
2014	We issued tier 2 capital bonds in the aggregate principal amount of RMB1.5 billion.
2015	We launched the operation of China domestic foreign currency payment system (CDFCPS).
	We obtained qualification from the CSRC for the fund sales business.
	We obtained approval from the CBRC for the issuance of credit cards to the general public.
	With the approvals from the CBRC and the PBOC, we completed the issuance of asset-backed securities in an aggregate amount of RMB3,122.5 million.

Year	Event
	We obtained approval from Jinzhou Branch of CBRC for the opening of our small enterprise financial service centre.
	We obtained approval from CBRC for the preparation of the establishment of Bank of Jinzhou Financial Leasing Co., Ltd.* (錦銀金融租賃有限責任公司), which is expected to be primarily engaged in financial leasing business.

Our Issuance of Bonds

Issuance of Subordinated Bonds

With the approvals from the CBRC and the PBOC, in December 2007, our Bank issued subordinated bonds in the aggregate principal amount of RMB500 million with a term of 10 years. The annual interest rate for the first five years is fixed at 5.60% and if these bonds were not redeemed at the end of the fifth year, the interest rate would increase by 3 percentage points per annum for the remaining five years with interest payable on an annual basis. In December 2012, these bonds were redeemed in full.

With the approvals from the CBRC and the PBOC, in September 2010, our Bank issued subordinated bonds in the aggregate principal amount of RMB500 million with a term of 10 years. These bonds are redeemable in full or in part at our discretion at the end of the fifth year at the initial interest rate of 5.90% per annum, payable on an annual basis. If these bonds are not redeemed at the end of the fifth year, the interest rate would increase by 3 percentage points per annum for the remaining five years with interest payable on an annual basis. In September 2015, these bonds were redeemed in full.

Issuance of Tier 2 Capital Bonds

With the approvals from the CBRC and the PBOC, in January 2014, our Bank issued tier 2 capital bonds in the aggregate principal amount of RMB1.50 billion with a term of five plus five years at a fixed interest rate of 7.00% per annum, payable on an annual basis. These bonds are redeemable in full or in part at our discretion at the end of the fifth year upon approval of the relevant regulatory authorities.

Application for Listing of A Shares

In September 2011, an application was made to the CSRC for the proposed listing of our shares on the Shanghai Stock Exchange (the "**Application for Listing of A Shares**"). The CSRC officially accepted the Application for Listing of A Shares in October 2011 and issued an acceptance letter therefor. We subsequently updated the application documents in respect of the Application for Listing of A Shares semi-annually. Having considered (i) the number of domestic city commercial banks in the PRC that have been granted permission by the CSRC to list H shares; (ii) the PRC regulatory policies; (iii) foreign capital market conditions; (iv) our future business development plan and (v) our capital requirements, we proposed to issue H shares on the Hong Kong Stock Exchange and we did not update our application documents with the latest financial information in respect of the Application for Listing of A Shares in accordance with the relevant requirements of the CSRC, and our Application for Listing of A Shares was deemed to have been terminated subsequently in July 2014. Our Directors have confirmed our Bank has voluntarily considered not to update our application documents in respect of the Application for Listing of A Shares and the decision was not based on or in connection with the suitability of our listing on the A-share market or the Hong Kong Stock Exchange.

In addition, our Directors have also confirmed that, to their best knowledge, the CSRC had not commenced the substantive review on the Application for Listing of A Shares. We have not received any vetting comment from the CSRC which was based on its review of the Application for Listing of A Shares since we submitted the same. The CSRC issued two enquiry letters to our then sponsor engaged for the Application for Listing of A Shares (the "**A Share Listing Sponsor**") on March 26, 2012 (the "**2012 Enquiry Letter**") and on January 29, 2013 (the "**2013 Enquiry Letter**"), respectively. The 2012 Enquiry Letter and the 2013 Enquiry Letter requested the A Share Listing Sponsor to investigate and clarify certain matters set out in the two letters received by the CSRC and were not based on the vetting of the Application for Listing of A Shares.

In the 2012 Enquiry Letter, the CSRC made enquiry on, amongst other things, (i) the legality and validity of material loans made by our Bank during the then reporting period in relation to Application for Listing of A Shares; (ii) whether our Bank had advanced loans in violation of the requirements on collateral, resulting in non-performing loans; and (iii) whether our Bank had provided loans to certain state-owned enterprises, enabling such state-owned enterprises to acquire non-performing assets from our Bank with a view to improving the asset quality of our Bank. Subsequent to receipt of the 2012 Enquiry Letter, our A Share Listing Sponsor coordinated with the relevant professional parties involved in the Application for Listing of A Shares to review our Bank's material corporate loans as at December 31, 2008, 2009, 2010 and 2011. The A Share Listing Sponsor issued a report in relation to its findings and submitted it to the CSRC with relevant legal opinions. As a result of the due diligence conducted by the A Share Listing Sponsor and other professional parties, it was discovered that (i) a number of allegations contained in the 2012 Enquiry Letter were untrue and/or lacked basis; (ii) a very limited number of loans advanced to certain borrowers did not meet the requirements of the relevant PRC authorities; and (iii) a very limited number of security interest to secure certain loans had not been legally created in accordance with the PRC laws and regulations. However, the A Share Listing Sponsor confirmed that none of the above findings would affect our Bank's suitability for listing on the A-share market. After reviewing the relevant reports prepared by the A Share Listing Sponsor and other professional parties and carrying out other necessary procedures, the Sole Sponsor is of the view that the issues identified in the 2012 Enquiry Letter are not of a "material" nature and would not affect our Bank's suitability to list on the Hong Kong Stock Exchange. In the 2013 Enquiry Letter, the CSRC made inquiry on our litigation with Huaqiao Group, including the reason and progress of such litigation, its potential effect on our proposed A share listing and financial and operational condition and whether the relevant entities or individuals were involved in any administrative penalties or criminal offenses. For further details of our litigation with Huaqiao Group, please see "Business — Legal and Regulatory Matters — Litigation".

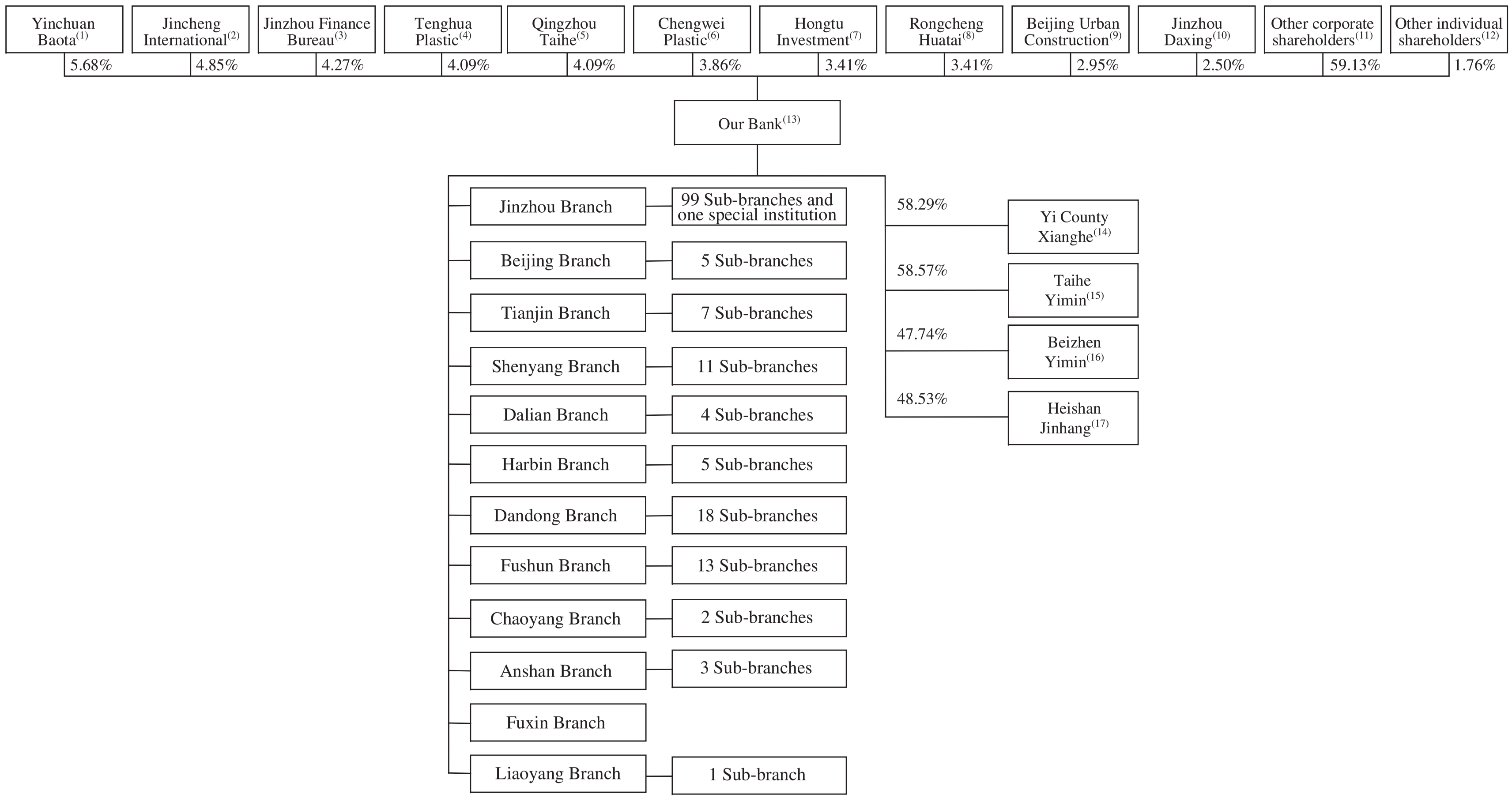
Save as disclosed above, our Directors are of the view that there is nothing that ought to be drawn to the attention of the potential investors in respect of the Application for Listing of A Shares and our listing on the Hong Kong Stock Exchange is not contrary to the securities laws of Hong Kong and the PRC. Based on the above confirmation by our Directors and the due diligence conducted by the Sole Sponsor, the Sole Sponsor is also of the view that, save as disclosed above, there is nothing that ought to be drawn to the attention of the potential investors in respect of the Application for Listing of A Shares.

OUR SHAREHOLDING STRUCTURE

Shareholding Structure

During the Track Record Period and up to the Latest Practicable Date, our Bank had no controlling shareholder or major shareholder. As of the Latest Practicable Date, we had 121 corporate shareholders and 2,133 individual shareholders who in aggregate held approximately 98.24% and 1.76% of our total number of shares, respectively, among which, the ownership of 99,995 shares registered under the name of one individual shareholder was unable to be verified and two individual shareholders who in aggregate held 89,875 shares could not be contacted. The top 10 shareholders of our Bank, who are all corporate shareholders, currently hold approximately 39.11% in our Bank's total share capital in aggregate. As of the Latest Practicable Date, the shareholding of the top 10 shareholders of our Bank ranged from around 5.68% (in the case of the single largest shareholder) to around 2.50% (in the case of the 10th largest shareholder). For further information about our top 10 shareholders and the change of their shareholding, please refer to "Appendix VII — Statutory and General Information — 1. Further Information About Our Bank — B. Our Top 10 Shareholders" to this prospectus.

The following chart sets out our shareholding structure immediately before the Global Offering:



Notes:

(1) Yinchuan Baota Refined Chemical Industry Co., Ltd.* (銀川寶塔精細化工有限公司) ("**Yinchuan Baota**") is one of our non state-owned corporate shareholders and our single largest shareholder and is wholly owned by Ningxia Baota Energy Chemical Co., Ltd.* (寧夏寶塔能源化工有限公司). The scope of operation of Yinchuan Baota mainly comprises (but is not limited to) the production and sales of crude oil, heavy oil and solvent oil.

(2) Jincheng International Logistics Group Co., Ltd.* (錦程國際物流集團股份有限公司) ("**Jincheng International**") is one of our non state-owned corporate shareholders and is held as to 99.41% and 0.59% by Jinlian Holding Group Co., Ltd.* (錦聯控股集團有限公司) (of which 90% equity interest is held by Mr. LI Dongjun, one of the non-executive Directors of our Bank) and Dalian Jincheng Customs Broker Co., Ltd.* (大連錦程報關行有限公司), respectively. The scope of operation of Jincheng International mainly comprises (but is not limited to) the international transport agency business in relation to the transport of imported and exported goods by sea and by air, canvassion, booking, warehousing, transit, container vanning and devanning.

(3) Jinzhou Finance Bureau is one of our state-owned corporate shareholders.

(4) Liaoning Tenghua Plastic Co., Ltd.* (遼寧騰華塑料有限公司) ("**Tenghua Plastic**") is one of our non state-owned corporate shareholders and is held as to 60% and 40% by Liaoyang Tengxing Investment Co., Ltd.* (遼陽騰興投資有限公司) and Liaoyang Huayi Investment Co., Ltd.* (遼陽華億投資有限公司), respectively. The scope of operation of Tenghua Plastic mainly comprises (but is not limited to) the production and sales of various kinds of plastic woven bags, plastic injection products, series membranes and various types of membranes.

(5) Qingzhou Taihe Mines Co., Ltd.* (青州泰和礦業有限公司) ("**Qingzhou Taihe**") is one of our non state-owned corporate shareholders and is held as to 75% and 25% by Jiuzhou Taihe International Investment Co., Ltd.* (九州泰和國際投資有限公司) and Shanghai Fengchao Industrial Development Co., Ltd.* (上海豐潮實業發展有限公司), respectively. The scope of operation of Qingzhou Taihe mainly comprises (but is not limited to) iron ore mining and sales.

(6) Liaoning Chengwei Plastic Profile Co., Ltd.* (遼寧程威塑料型材有限公司) ("**Chengwei Plastic**") is one of our non state-owned corporate shareholders and is held as to 60% and 40% by Liaoyang Chengyuan Investment Co., Ltd.* (遼陽程遠投資有限公司) and Liaoyang Weiwang Investment Co., Ltd.* (遼陽威旺投資有限公司), respectively. The scope of operation of Chengwei Plastic mainly comprises (but is not limited to) the production and sales of plastic profiles and products and new building materials.

(7) Shanghai Greenland Hongtu Investment Development Co., Ltd.* (上海綠地弘途投資發展有限公司) ("**Hongtu Investment**") is one of our non state-owned corporate shareholders and is held as to 43.02%, 42.64% and 14.34% by Greenland Financial Investment Holdings Co., Ltd.* (綠地金融投資控股集團有限公司), Harvest Capital Management Co., Ltd.* (嘉實資本管理有限公司) and Greenland Holding Group Company Limited* (綠地控股集團有限公司), respectively. The scope of operation of Hongtu Investment mainly comprises (but is not limited to) industrial investment, asset management, investment management and business information consulting.

(8) Rongcheng Huatai Motor Co., Ltd.* (榮成華泰汽車有限公司) ("**Rongcheng Huatai**") is one of our non state-owned corporate shareholders and is held as to 90% and 10% by Huatai Motor Group Ltd.* (華泰汽車集團有限公司) and Rongcheng Dongxing Trade Co., Ltd.* (榮成市東興商貿有限公司), respectively. The scope of operation of Rongcheng Huatai mainly comprises (but is not limited to) the manufacture and sales of automobiles under the brands of Huatai Santa Fe, Huatai Terracan and Huatai Yuan Tian* (華泰元田).

(9) Beijing Urban Construction Investment Development Co., Ltd.* (北京城建投資發展股份有限公司) ("**Beijing Urban Construction**") is one of our non state-owned corporate shareholders and is listed on the Shanghai Stock Exchange (stock code: 600266). The scope of operation of Beijing Urban Construction mainly comprises (but is not limited to) real estate development, sales of commodity housing, investment and investment management.

(10) Jinzhou Daxing Construction Group Co., Ltd.* (錦州大興建設集團有限公司, formerly known as Jinzhou Daxing Real Estate Development Co., Ltd. (錦州大興房地產開發有限公司)) ("**Jinzhou Daxing**") is one of our non state-owned corporate shareholders and is held as to 99.17% and 0.83% by Mr. SUN Wei and Mr. SUN Zhongzhi, respectively. The scope of operation of Jinzhou Daxing mainly comprises (but is not limited to) real estate development (class three) and commodity housing sales.

(11) Other 111 corporate shareholders in aggregate held approximately 59.13% of our issued shares. The shareholding of these corporate shareholders ranges from 0.01% to 2.32%.

(12) 2,133 individual shareholders in aggregate held approximately 1.76% of our issued shares. The shareholding of our individual shareholders ranges from approximately 0.000045431% to 0.008510906%.

(13) As of the Latest Practicable Date, we have 12 branches, 168 sub-branches and one special institution.

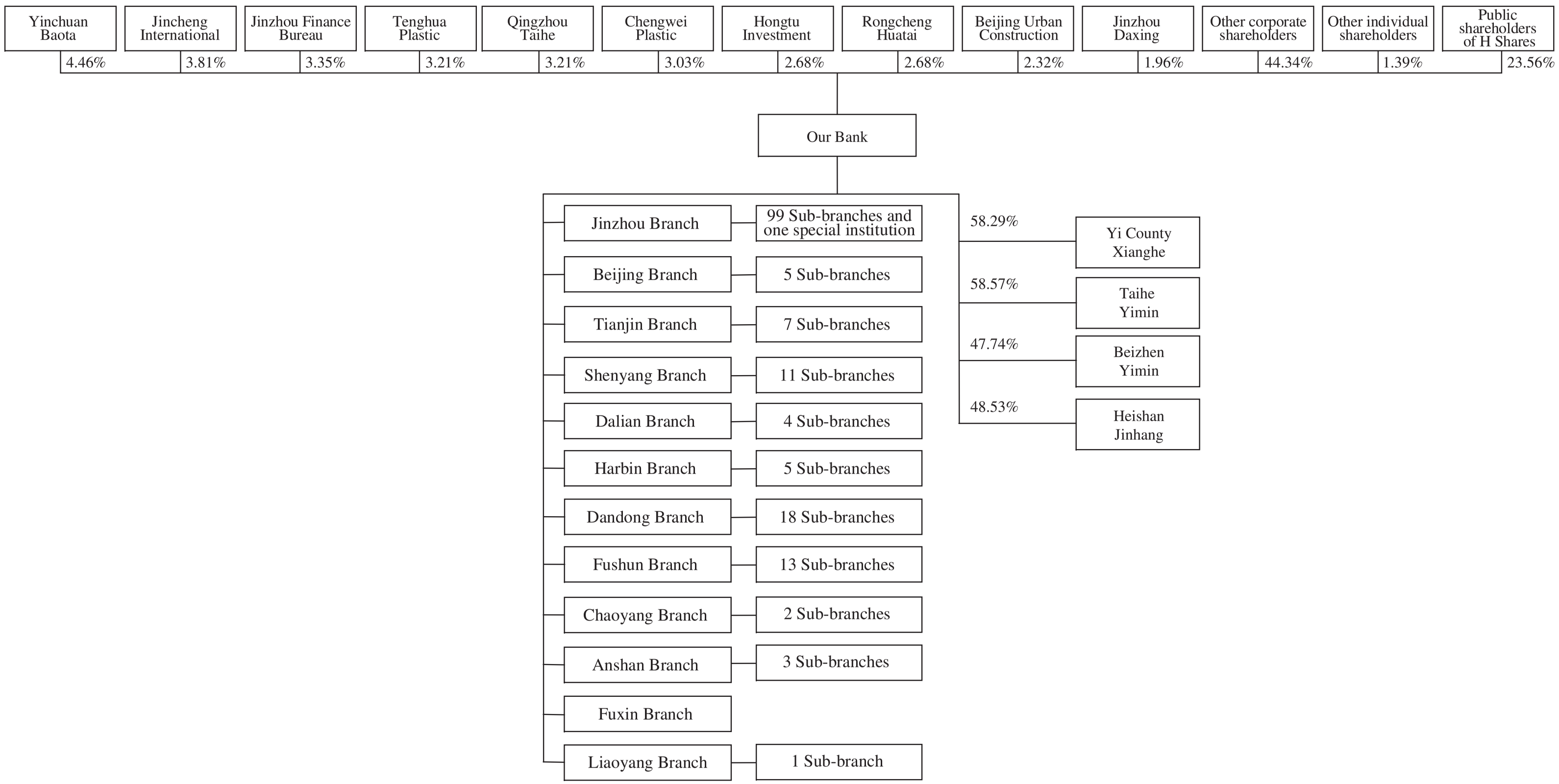
(14) Liaoning Yi County Xianghe Village and Township Bank Co., Ltd.* (遼寧義縣祥和村鎮銀行股份有限公司) ("**Yi County Xianghe**"), established and commenced business in November 2010, with registered address at 38-21, Yingbin Road, Yizhou Town, Yi County. Its share capital was RMB40.25 million upon establishment and was increased to RMB108.49 million as of the Latest Practicable Date, and was held by our Bank as to 58.29% as of the Latest Practicable Date. For further information about Yi County Xianghe, including details of other shareholders, please refer to the section headed "Appendix VII — Statutory and General Information — 2. Our Subsidiaries, Shareholders of Our Subsidiaries and Changes in the Share Capital of Our Subsidiaries" to this prospectus.

(15) Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.* (錦州太和益民村鎮銀行股份有限公司) ("**Taihe Yimin**"), established and commenced business in January 2010, with registered address at 29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City. Its share capital was RMB33.53 million upon establishment and was increased to RMB103.21 million as of the Latest Practicable Date and was held by our Bank as to 58.57% as of the Latest Practicable Date. For further information about Taihe Yimin, including details of other shareholders, please refer to the section headed "Appendix VII — Statutory and General Information — 2. Our Subsidiaries, Shareholders of Our Subsidiaries and Changes in the Share Capital of Our Subsidiaries" to this prospectus.

(16) Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司) ("**BeizhenYimin**"), established and commenced business in March 2011, with registered address at 1-4, Building One, Phase I, Furui Jiaxiang Campus, Chengxi Community, Beizhen Sub-district Office, Liaoning Province. Its share capital was RMB52.19 million upon establishment and was increased to RMB103.25 million as of the Latest Practicable Date and was held by our Bank as to 47.74% as of the Latest Practicable Date. According to the acting in concert arrangement between our Bank and other eight shareholders of Beizhen Yimin, Beizhen Yimin was deemed to be controlled by our Bank and was a subsidiary of our Bank from accounting prospective. For further information about Beizhen Yimin, including details of other shareholders and acting in concert arrangement, please refer to the section headed "Appendix VII — Statutory and General Information — 2. Our Subsidiaries, Shareholders of Our Subsidiaries and Changes in the Share Capital of Our Subsidiaries" to this prospectus.

(17) Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行股份有限公司) ("**Heishan Jinhang**"), established and commenced business in January 2014, with registered address at House No. 9-14 (Level 1-3), City East, South Side, Diwang Fudi, No. 194, Zhongda Central Road, Heishan Town First Street, Heishan County, Liaoning Province. Its share capital was RMB100.00 million upon establishment and was increased to RMB119 million as of the Latest Practicable Date. Heishan Jinhang was held by our Bank as to 48.53% as of the Latest Practicable Date. According to the acting in concert arrangement between our Bank and other certain shareholders of Heishan Jinhang, Heishan Jinhang was deemed to be controlled by our Bank and was a subsidiary of our Bank from accounting prospective. For further information about Heishan Jinhang, including details of other shareholders, and acting in concert arrangement please refer to the section headed "Appendix VII — Statutory and General Information — 2. Our Subsidiaries, Shareholders of Our Subsidiaries and Changes in the Share Capital of Our Subsidiaries" to this prospectus.

The following chart sets out our shareholding structure immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option:

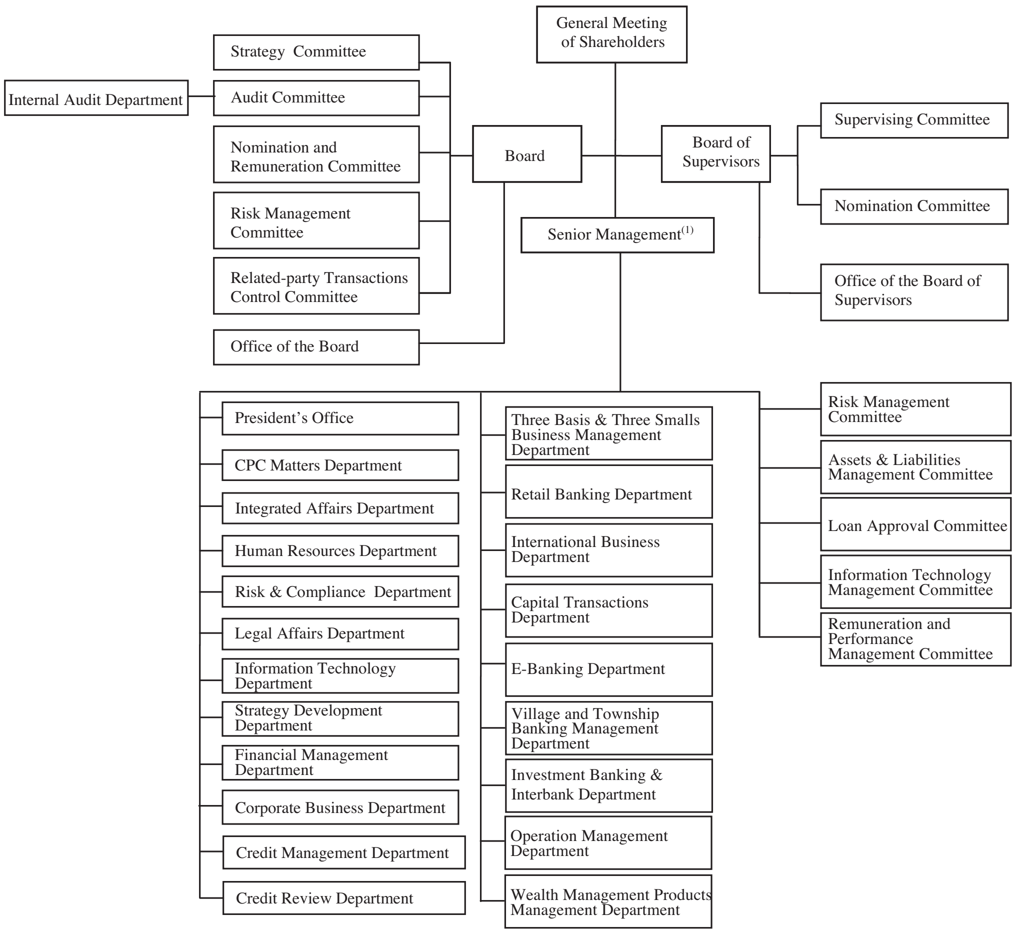


Notes:

For background information about certain companies shown in the above shareholding structure chart, see corresponding notes of the chart as set out on pages 167-168 in this section.

OUR ORGANIZATIONAL AND MANAGEMENT STRUCTURE

The following chart sets out our principal organizational and management structure as of the Latest Practicable Date:



Note:

(1) For further information of the number and distribution of our branches, sub-branches and special institution, please refer to the chart of our shareholding structure on page 166 in this section.

Establishment of Modernized Corporate Governance Structure

Our Bank has set up a modernized corporate governance structure in accordance with the Articles of Association, applicable PRC laws and regulation and the Listing Rules.

Save for certain reserved matters that require the approval of the shareholders of our Bank as set out in the Articles of Association from time to time (as required under applicable PRC laws and regulations, including, without limitation to, the PRC Company Law and Guidelines for Commercial Banking Company Governance* (商業銀行公司治理指引)), our Bank is primarily managed by the Board.

(a) **The process of appointing a Director**

According to the relevant provisions in the Articles of Association, other than an independent Director, a Director may be nominated either (i) by shareholders who hold, individually or collectively, 3% or more of the voting rights of our Bank; or (ii) by the existing Board. In addition, other than our existing Board and our existing Board of Supervisors, shareholders who hold, individually or collectively, 1% or more of the voting rights of our Bank are entitled to nominate independent Directors. The nomination and remuneration committee of our Board will review the qualification and condition of each candidate before our Board resolves to submit such candidates for approval in general meeting.

(b) **Shareholders' involvement in the management of our Bank**

Given our shareholding structure during the Track Record Period and our current shareholding structure, no single shareholder has been able to procure the passing of shareholders' resolution regarding the appointment of any Director (regardless whether such Director candidate was nominated by such shareholder) on its own. Conversely, no single shareholder has been able to block any appointment of a nominated candidate on its own. None of the shareholders can control our Board or has the right to appoint any Directors to our Board or any member of the senior management on its own. Therefore, our Board functions independently from the shareholders of our Bank in a manner similar to a "professional board".

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, no shareholder who was entitled to nominate Directors or independent Directors by reason of its shareholding level in our Bank has exercised its right to nominate any Director to our Board. All Directors were nominated by our Board, the appointments of which were subsequently approved by the shareholders' meeting of our Bank, in accordance with applicable PRC laws and regulations and the then Articles of Association. Certain Directors also concurrently held/are holding positions in certain shareholders, but the appointments of such Directors did not result from such shareholders' exercise of their nomination rights. Our Directors confirm that as far as they are aware none of our shareholders has acted in concert or has otherwise entered into any formal or informal arrangement with any other shareholders for the purpose of participation and voting in our Bank's shareholders' meetings. The Directors are also not aware of any consensus building process between the shareholders before attending the shareholders' meetings of our Bank.

Our Board is accountable to the general meeting of our shareholders and is primarily responsible for the important decision making of our Bank, including but not limited to matters related to the business and operational strategies, development goals, business and investment plans, appointment, removal and replacement of senior management and establishment of the internal management regime or bodies of our Bank. There are five special committees established under our Board, including strategy committee, risk management committee, related-party transactions control committee, audit committee and nomination and remuneration committee. Each of the special committees performs specified functions to assist our Board in performing its duties.

Our Board of Supervisors is accountable to the general meeting of our shareholders and is primarily responsible for supervising our compliance with relevant laws and regulations, the performance of the Board and senior management and the financial activities of our Bank. There are two special committees established under the Board of Supervisors, namely the nomination committee and the supervising committee. Each of the special committees performs specified functions to strengthen the independence and the supervisory power of our Board of Supervisors.

Our Bank management is responsible for the daily operation of our Bank and consists of the executive vice president (performing the duties of the president), vice presidents, financial officers, assistants to president, board secretary and head of finance.

Risk Management and Internal Control Reforms of Our Bank

In recent years, our Bank has implemented a series of measures to continually enhance our risk management and improve our internal control, primarily including:

(1) establishing a sound regime for risk management and internal control, and setting comprehensive objectives for risk management and internal control;

(2) implementing unified and standardized policies across our business and operational activities and our products;

(3) formulating basic principles for internal accounting control suitable for our business and operational activities, operating conditions and our staff;

(4) optimizing the risk management and internal control processes by engaging external professional teams; and

(5) bringing the risk management indicators into our appraisal system for operational bodies and employees.

For further details related to risk management and internal control, please refer to the section headed "Risk Management" in this prospectus.

Information Technology Reform

We strive to improve our information technology system through establishing, updating and upgrading our information technology system so as to support the business development of our Bank. Information technology reform measures implemented in recent years in our Bank primarily included:

2009	We established the information technology management committee for providing guidance and management on our information technology tasks to strengthen the decision-making and implementation processes on information technology matters.
2010	The same-city disaster backup center of our Bank commenced operation officially, realized same-city disaster backup of key information systems to ensure the business continuity in the same-city.
2011	Based on the foundation of our corporate internet banking, systems for personal internet banking and messaging banking were launched, and the initial electronic channel was established.
2012	We completed the establishment of the off-site disaster backup center in Beijing to further ensure the continuous operation and business continuity of key information systems during occurrence of disasters.
	We completed the establishment of the database phase I project and a unified data standardization system, a centralized statement platform and a management cockpit system.
	We expanded into the electronic channel business, launched and equipped the communicative internet banking system with more diverse functions and electronic product categories.
2013	We made progress in the establishment of the self-service business system and created more self-service products.
	We adjusted the organizational structure of the information technology department, under which the support assurance center, system operation center, information security center, core system development center, management system development center and channel system development center were established, such that we would have a clearer idea of departmental duties, resulting in more efficient operation and reasonable division of labor.
2014	We launched the financial IC card and successfully issued the resident healthcare card to provide more financial services that are closer to the daily life of citizens.
2015	Our Bank established the information security management system and obtained the ISO27001 Information Security Certificate from Det Norske Veritas.

Financial Management Reform

We consider it is of the utmost importance to continue to enhance and improve our financial management system, in order to strengthen the financial management capabilities of our Bank. During the past few years, the financial management reform measures implemented by our Bank primarily included the following:

2002	We introduced the SAP financial management system to initiate systematic analysis on our profitability.
2010	We conducted in-depth research and supervised the management of assets and liabilities of our Bank.
2013	We gradually completed the construction of our financial management systems, including the budget management system, asset and liability management system and performance appraisal system.

Human Resources Reform

We consider it is of the utmost importance to establish and improve the human resources management system. We emphasize on personnel training and career development, and reform measures adopted for these purposes primarily include:

(1) establishment of a sound and comprehensive regime for the human resources management;

(2) establishment of an advanced system for staff recruitment, testing and appraisal;

(3) improving staff training system and creating a career development path for staff by combining management rankings with professional rankings; and

(4) establishment of "Bank of Jinzhou Institute* (錦州銀行學院)" with Bohai University* (渤海大學) in 2013 to provide customized training.

OVERVIEW

We are a leading city commercial bank in China. We ranked 350th by tier 1 capital as of December 31, 2014 according to the Top 1,000 World Banks ranking list published by *The Banker* in July 2015. In terms of tier 1 capital, a total of 117 PRC banks are included in the list, with us ranking 44th among PRC banks and 18th among PRC city commercial banks. As of December 31, 2014, we had total assets of RMB250.7 billion, total loans and advances of RMB88.8 billion and total deposits of RMB119.4 billion. As of the same date, we were one of only three city commercial banks in Liaoning Province with total assets exceeding RMB100 billion, according to the CBRC. As of June 30, 2015, our total assets, total loans and advances and total deposits had further increased to RMB312.9 billion, RMB94.1 billion and RMB150.0 billion, respectively.

We are the only city commercial bank headquartered in Jinzhou, an industrial and economic center in Liaoning Province. Jinzhou is located in the intersection of the Northeastern China Economic Zone and the Bohai Rim Economic Circle. We are the largest bank in Jinzhou in terms of loans and deposits, with our total loans accounting for 45.8% of total loans in Jinzhou and our total deposits accounting for 42.9% of total deposits in Jinzhou as of December 31, 2014, according to the CBRC. In recent years, we have extended our geographical coverage and established branches in other major cities in Liaoning Province including Shenyang and Dalian, as well as other major cities in North and Northeastern China including Beijing, Tianjin and Harbin. As of June 30, 2015, we had a total of 178 outlets, including our headquarters, 12 branches and 165 sub-branches. Of these outlets, 99 were located in Jinzhou, 59 were located in Liaoning Province (excluding Jinzhou) and 20 were located outside Liaoning Province.

Our business outside Jinzhou developed rapidly during the Track Record Period, with operating income increasing at a CAGR of 49.5% between 2012 and 2014. As of June 30, 2015, our business outside Jinzhou represented 40.7% of our total loans and advances and 55.8% of our total deposits. In the six months ended June 30, 2015, our business outside Jinzhou represented 37.4% of our operating income and 32.7% of our profit before tax.

We are dedicated to satisfying the needs of our customers through the provision of a variety of financial products and services. We focus on providing customized financial services to SMEs. In particular, we provide small loans and other services to small enterprises, small shops and small retail stalls under our “Three Smalls” (“三小”) strategy. Benefiting from our long-term commitment to thoroughly penetrate the Jinzhou market, we have built a solid local SME customer base, and have leveraged our experience in Jinzhou to develop our SME business at our newly established outlets in other cities. Our SME loans grew at a CAGR of 22.7% from 2012 to 2014, and accounted for 74.2% of our total loans and advances as of June 30, 2015. As of December 31, 2014, according to the PBOC, our market share of SME loans in Jinzhou was 60.8%.

In the Track Record Period, we have achieved rapid growth in profits. Our net profit increased from RMB1,171.4 million in 2012 to RMB2,123.2 million in 2014, representing a CAGR of 34.6%. For the six months ended June 30, 2014 and 2015, our net profit was RMB910.0 million and

RMB1,439.9 million, respectively, representing an increase of 58.2% from 2014 to 2015. While achieving rapid growth in our business, we implemented prudent risk management and internal controls, and maintained solid asset quality. As of June 30, 2015, our non-performing loan ratio was 0.99% and our allowance coverage ratio was 379.76%.

COMPETITIVE STRENGTHS

Our principal competitive strengths include the following:

Established regional business structure based in Jinzhou and covering the Northeastern China Economic Zone and Bohai Rim Economic Circle, giving us a significant regional advantage

We are headquartered in Jinzhou, an industrial and economic center in Liaoning Province. Located in the intersection of the Northeastern China Economic Zone and the Bohai Rim Economic Circle, Jinzhou is an important hub city in Northeastern China that has a sea port, airport, railway, highway transportation links as well as an oil pipeline link. We take a leading role in the local financial market in Jinzhou. According to the CBRC, as of December 31, 2014, we had ranked first in Jinzhou's loan and deposit market for more than ten consecutive years in terms of total assets, liabilities, loans and deposits, respectively. As of December 31, 2014, we also ranked first among all the banks in Jinzhou in terms of the number of outlets.

While maintaining the leading position in the local market of Jinzhou, we have gradually expanded our business coverage and carried out regional operations. Currently, we have branches in other major cities in Liaoning Province such as Shenyang and Dalian to provide effective regional coverage of Jinzhou and its surrounding major cities. Our branches in Beijing, Tianjin and Harbin have also achieved significant development during the Track Record Period. As of June 30, 2015, we had set up a total of 79 branches and sub-branches outside Jinzhou, representing approximately 44.4% of our outlets.

Our regional business landscape enables us to benefit from development potential of various regions. Benefiting from the government's policy of supporting the Northeastern China and Liaoning Coastal Economic Belt coupled with the formation and development of the Northeastern China Economic Zone and the Bohai Rim Economic Circle, the economies of Liaoning Province and Jinzhou have achieved rapid growth in recent years. For the six years ended December 31, 2014, the nominal GDP of Liaoning Province and Jinzhou grew at CAGRs of 13.5% and 13.3%, respectively, which were higher than the CAGR of the nominal GDP for China of 13.0% over the same period. For these six years, the CAGR of total loans of Jinzhou amounted to 18.0%, which was higher than the national CAGR of total loans of 15.3% over the same period. In August 2014, the State Council promulgated the Opinions on Certain Major Policy Initiatives of Recent Support for the Northeastern Revitalization (《關於近期支持東北振興若干重大政策舉措的意見》) to further consolidate the achievement of the revitalization of, and increase the demand for investments in, Northeastern China.

Beijing and Tianjin, where we have established branches, are two of the most economically developed cities in China. As of 31 December 2014, among the 31 provinces in China, the per capita GDP of Beijing and Tianjin ranked second and first in China, respectively, and the total amount of their RMB- and foreign currency-denominated loans ranked fourth and thirteenth in China, respectively. Our business in Beijing and Tianjin recorded rapid growth during the Track Record Period, with our operating income in these two cities increasing from RMB523.0 million in 2012 to RMB1,534.2 million in 2014, representing a CAGR of 71.3%. For the six months ended June 30, 2014 and 2015, our operating income in Beijing and Tianjin was RMB589.1 million and RMB1,084.2 million, respectively, representing an increase of 84.0% from 2014 to 2015. We believe that, due to the higher level of the development in the Beijing and Tianjin financial markets, these regions have broad growth prospects and we aim to continue to achieve rapid development in these regional markets.

During the Track Record Period, our business achieved substantial growth. From 2012 to 2014, our total assets, gross loans and advances to customers, and the net profit attributable to equity shareholders grew at CAGRs of 42.6%, 18.5% and 34.6%, respectively. From 2012 to 2014, the total loans and advances from our branches outside Jinzhou increased at a CAGR of 23.4%, while the operating income from our branches outside Jinzhou increased at a CAGR of 49.5%. We believe that the substantial growth of our business outside Jinzhou demonstrates the success of our regional operation strategies.

Dedication to providing customized financial services to SMEs and other small-scale customers

With a tradition of serving SMEs, we are dedicated to becoming a financial service provider "specialized in serving SMEs and local communities" ("立足中小，服務當地"). Our total SME loans increased from RMB42,477.0 million as of December 31, 2012 to RMB63,989.8 million as of December 31, 2014, representing a CAGR of 22.7%. As of June 30, 2015, our total SME loans further increased to RMB69,871.5 million, which accounted for 74.2% of our total loans. As of December 31, 2014, according to the PBOC, our market share of SME loans in Jinzhou was 60.8%.

We have developed a product system and the capability to provide customized services to SME customers at various stages of growth and in different industries. In particular, we have built our unique brand "Three Smalls" (namely, small enterprises, small shops and small retail stalls) to achieve the strategic goal of supporting SMEs. We have developed our "Three Smalls" credit business through the following measures:

- **Product design**: Through continued development in the "Three Smalls" credit business, we have developed a "San Xiao Le" ("三小樂") product and service system, comprising the "Start-up Plan" ("創業計劃"), "Growth Plan" ("成長計劃"), "Taking-off Plan" ("騰飛計劃") and "Good-quality Life Plan" ("優質生活計劃") product series.

- **Loan resource allocation**: We have implemented the policy of allocating our incremental lending quota to small and micro enterprises, in particular "Three Smalls" customers, on a preferential basis.

- **Operation and management**: We have consolidated the management of the "Three Smalls" business. We have established a separate business department at our headquarters, designated divisions at our branches and "Three Smalls" credit service centers at certain outlets. Together they form an independent "Three Smalls" business line with integrated functions.

- **Operation Processes**: We have established and streamlined our credit approval processes for SME and "Three Smalls" loans. By adopting a business model of approving lending within two business days and dispatching loans within three business days upon receiving adequate information and documentation from the customer, we strive to enhance our competitiveness through efficient and flexible business operations. With our comprehensive and convenient financial service platform, potential customers may also apply for loans and repay loans by telephone and on the internet.

Leveraging our extensive experience and strength in serving SMEs and other small-scale customers, we have developed a sizable customer base. As of June 30, 2015, the number of our SME loan customers exceeded 1,800, and the number of our "Three Smalls" customers exceeded 9,300.

Our SME and "Three Smalls" businesses achieve relatively high loan yields. As of June 30, 2015, the weighted average annualized yields of our SME and "Three Smalls" loans were 7.64% and 7.90%, respectively, whereas the average yield of our loans overall was 7.36% for the six months ended on the same date. Interest income generated by our SME loans increased from RMB1,803.6 million for the year ended December 31, 2012 to RMB2,951.6 million for the year ended December 31, 2014, representing a CAGR of 27.9%, and amounted to RMB1,851.4 million for the six months ended June 30, 2015. Meanwhile, we have implemented strict risk control measures to maintain the asset quality of our SME and "Three Smalls" loans. As of June 30, 2015, the ratios of collateralized and pledged loans over total loans for our SME and "Three Smalls" loans were 68.1% and 69.8%, respectively, which were higher than such ratio of 62.5% of our total corporate loans.

We believe that our SME business has established a good industry reputation and has been recognized by regulatory institutions in the PRC. For six consecutive years since 2007, we were recognized as one of the "Top Ten Commercial Banks in China for Supporting the Development of SMEs" (全國支持中小企業發展十佳商業銀行) by the China SMEs Association and China SME Owners Annual Summit. In 2012, we were recognized as a "Pioneering Institution in the China Banking Industry for Providing Financial Services to Small and Micro Enterprises" (全國銀行業金融機構小微企業金融服務先進單位) by the CBRC. In 2013, our "San Xiao Le" ("三小樂") product series was recognized by the CBRC as a "2012 Special Financial Service Product for Small and Micro Enterprises by Banking Financial Institutions in China" (2012年度全國銀行業金融機構小微企業金融服務特色產品). In 2014, we were recognized as an "Excellent Financial Institution for Supporting Small and Micro Enterprises with Financial Services in Liaoning Province in 2013" (2013年度遼寧省支持小微企業金融服務優秀金融機構), and our "San Xiao Le" product series was recognized as "Excellent Financial Products for Supporting Small and Micro Enterprises with Financial Services in Liaoning Province Banking Industry in 2013" (2013年度遼寧省銀行業支持小微企業金融服務優秀金融產品), by the Liaoning Banking Industry Association and Liaoning Province Trade Union of Trade, Textile, Finance Industries and Light Industries (遼寧省財貿輕紡金融工會).

We believe that our focus on SME and "Three Smalls" business will enable us to capture growth opportunities in Jinzhou and other regional markets and further enhance our business and financial results. For further details about our "Three Smalls" business, please refer to "—Our Principal Business Activities—Retail Banking—Retail Loans—"Three Smalls" Loans".

Deep penetration of the local economy and consistently leading market position in the local market in Jinzhou

We have achieved extensive and intensive coverage in Jinzhou with strong competitiveness and a high market share. As of June 30, 2015, we had 99 outlets in Jinzhou, including our headquarters, one branch and 97 sub-branches. As of December 31, 2014, we ranked first in Jinzhou among all banks in terms of the number of outlets. According to the CBRC, we ranked first in Jinzhou's loan and deposit market as of December 31, 2014 in terms of total assets, liabilities, loans and deposits, respectively, and have maintained such a strong market position consecutively for over ten years. As of December 31, 2014, our total assets, liabilities, loans and deposits in Jinzhou accounted for 62.6%, 61.4%, 45.8% and 42.9%, respectively, of the aggregate of all banking financial institutions in Jinzhou. Such market shares far exceeded the aggregate of the market shares of the Large Commercial Banks in Jinzhou.

We believe that our solid customer base in Jinzhou serves as a stable source of deposit and loan business and provides us with cross-selling potential. We have established relationships with what we consider as major enterprises in the strategic pillar industries such as the manufacturing industry and emerging industries of the local economy. As of June 30, 2015, we had over 2.9 million retail customers in Jinzhou. As of the same date, we had issued a total of over 2.4 million debit cards to customers in Jinzhou. Leveraging on our deep understanding of the local economy and credit environment and our ability to provide comprehensive products and services, we carry out targeted marketing to potential customers and actively expand our services to our existing customers' upstream and downstream enterprises and customers.

Leveraging on our extensive outlet network, solid customer base and high quality services, we have achieved considerable retail banking breadth and depth in Jinzhou:

- **Collection and payment agency services**: We provide a broad range of collection and payment agency services through diversified channels. We provide payment agency services covering the public utilities payments in Jinzhou with our services for nearly 20 payment items closely related to the daily life, such as payment for water, electricity, gas, heat supply, collecting fees for telecommunication companies and contributions to pension insurance and medical insurance. In the six months ended June 30, 2015, we recorded over 4.2 million fee collection transactions within and outside Jinzhou with a total amount exceeding RMB1.1 billion.

- **Payroll services:** We provide various payroll services to local enterprises, government and public institutions and their employees. In the six months ended June 30, 2015, we had a monthly average of over 628,000 individual customers of our payroll services in Jinzhou, and our total batch payment for payroll, allowances and subsidies during the period exceeded RMB6.9 billion in Jinzhou. We use such services to enhance our brand recognition and expand our customer base.

According to the NBSC and the PBOC, the bank permeability, calculated by dividing total RMB-denominated and foreign currency-denominated loans by the nominal GDP in Jinzhou, for the year ended December 31, 2014 was 83.7%, which was significantly lower than the 115.4% bank permeability for Liaoning Province and the 136.4% bank permeability for all of the PRC for the same year. We believe that, as the market leader in the Jinzhou banking industry, we will continue to benefit from the growth potential of the local market and play a leading role in the local economic development.

Effective regional development model and strong innovative ability to continue to drive business growth

We have actively expanded in our regional markets and have formed what we consider to be an effective regional development model. Our regional business development strategies have allowed us to accumulate operational experience in different regional economic environments to form a mature and practical expansion model. In our regional development, we focus on selecting markets with close economic ties and similar local culture in order to facilitate the customization of our successful products and customer strategies for application in other regions, explore synergy effects and elevate our service capabilities. Our regional development model has the following characteristics:

- **Experience migration:** We leverage our extensive experience in Jinzhou to develop our SME and retail businesses in other prefecture-level cities, and adapt to the local economies of provincial economic centers and large-scale cities to focus on developing local corporate business and SME customer groups with concentrated businesses and manageable risks such as store owners in the same shopping area or shopping malls;

- **Business co-development:** We adopt an expansion strategy of “from main to secondary, from near to far” (“由主到次, 由近及遠”), so that our branches not only complement each other’s advantages, but also fit the business expansion patterns of common customers and support customer growth through the satisfaction of their financial needs in the different regions in which they operate; and

- **Synergy effect:** For example, we are able to use capital absorbed in cross-regional operations to support the development of our credit business in areas with less competition and higher lending returns.

Our business outside Jinzhou developed rapidly during the Track Record Period. The total loans and advances from our branches outside Jinzhou increased from RMB24,081.7 million at the end of 2012 to RMB36,685.4 million at the end of 2014, representing a CAGR of 23.4%. As of June 30, 2015, the total loans and advances from our branches outside Jinzhou further increased to RMB38,324.8 million. The operating income from our branches outside Jinzhou increased from RMB1,245.5 million in 2012 to RMB2,781.9 million in 2014, representing a CAGR of 49.5%. For the six months ended June 30, 2015, the operating income from our branches outside Jinzhou amounted to RMB1,750.3 million.

We capture growth opportunities and optimize our business structure through continued business innovation. For example, in recent years, we have actively developed our investment banking and wealth management businesses and supplemented our operational licenses. Through the exploration of product areas such as private corporate bonds and asset securitization, we strive to broaden our income channels and satisfy the diversifying service needs of our customers. In March 2015, we completed the securitization of credit assets with an aggregate nominal value of the asset-backed securities issued amounting to RMB3,122.5 million in order to improve our asset structure, increase our liquidity and further expand our business scale. As another example, based on our customer-focused business concept, we implemented an "intelligent banking" business model designed by us in one of our sub-branches located in Jinzhou through business process integration and innovation and the adoption of new technologies. In this sub-branch, we carry out early identification of customers upon their arriving at the premises, then deliver their information and analysis on their financial needs to our lobby managers and tellers so as to provide personalized services to the customers.

Prudent and improving risk management and internal control systems

We uphold the principles of "internal control first" and "prudent operations", and strive to improve our comprehensive risk management and internal control systems. We are taking successive steps toward the establishment of a comprehensive risk management system under Basel III covering credit risk, market risk, operational risk and liquidity risk, among others.

Credit risk - We closely monitor changes in the economic environment and government policies and continue to improve our credit structure. We have established a top-down credit risk management framework with risk early warning mechanisms and post-drawdown monitoring mechanisms. We cooperated with Moody's to develop a credit risk rating model. We are accumulating experience and historical data through the use of this model in order to enable the model to play an important role in our daily credit management, customer admission, setting of limits, pricing of loans and pressure tests. We strictly manage credit extension to enterprises in industries with higher credit risk profile.

Market risk - We have introduced an advanced assets and liabilities management system in view of the interest rate liberalization in the PRC and to manage interest rate risk. Such system enables us to carry out dynamic monitoring of the impact of market interest rate changes on our operations, and provides a reliable basis for the pricing of our products in various business lines and our strategic decision-making.

Operational risk - We have established unified operational procedures management rules and comprehensive operational risk management mechanisms, and continue to improve our operational risk management and strengthen the management of key operational activities. We have established an operational risk management structure with three lines of defence comprising business departments, risk and compliance management department and internal audit department. We have also developed operational risk management tools including key risk indicators (KRI), lost data collection (LDC) and risk and control self-assessment (RCSA). We were the first city commercial bank in Liaoning Province to have established an alternative-location disaster recovery center. We have subsequently completed our disaster recovery preparation work comprising three centers located in two locations.

Liquidity risk - We carry out daily internal filing of cash positions through our cash positions management system to enable timely management of liquidity risk. We also carry out monthly stress tests, calculation of indicators and data analysis to strengthen our ability to handle contingencies based on our assets and liabilities management system.

We emphasize the enhancement of our internal controls and the creation and maintenance of a good internal control environment, and continue to supplement and consolidate our internal control system and enhance the enforcement of our internal rules. We extend our internal control measures to cover various business lines, operational procedures and business positions, and have established and effectively operated a system of inspections and penalties on the implementation of rules. We have normalized our review mechanism comprising self-reviews of our sub-branches and regular reviews of business lines at our branches and headquarters. The internal audit and risk and compliance departments of our headquarters carry out random inspections of the implementation of our internal rules. We review and evaluate the implementation of our rules and continue to follow up on the rectification of any problems identified. Through the above measures, we have enhanced our internal controls, and continued to enhance our internal control management mechanism.

As a result of the effective operation of our risk management and internal control systems, there have been no material non-compliance incidents or criminal investigations in respect of our operations during the Track Record Period. We have also maintained a low NPL ratio relative to city commercial banks overall. Our NPL ratio was 0.94%, 0.87%, 0.99% and 0.99% as of December 31, 2012, 2013 and 2014 and June 30, 2015. By comparison, the average NPL ratio of city commercial banks in China as of June 30, 2015 was 1.37%, according to the CBRC.

Experienced management team and efficient management structure

Our senior management team has extensive experience and a proven track record in business management and the financial service industry. Mr. Zhang Wei, our chairman, has over 23 years' experience in the PRC banking industry and has served as a member of our senior management for over 18 years. He has been recognized as an "Advanced Individual in respect of the Small Business Financial Services of National Banking Financial Institutions" by the CBRC in 2011 and received "the Award for Outstanding Contributions" in 2012 issued by "the 2012 Bank-enterprise Cooperation Development Forum" organized by *Rural Financial Times* and China Association of Microfinance. Members of our senior management team have an average of over 21 years' experience in the banking industry. Under their leadership, we have become a market leader in the Jinzhou banking industry and have established a successful regional business structure.

We have established an integrated and efficient management structure. Our headquarters is responsible for the centralized and unified management of strategic planning, policy implementation, risk control, capital operations, business innovation, human resources and marketing activities. At the same time, we rely on the collective decision-making of our specialized committees and our condensed approval levels to increase our efforts on resources allocation, authorization and incentives with respect of our branches and sub-branches and shorten our reporting and decision-making lines under the premises of clear allocation of authority and responsibilities and controllable risks, in order to increase our flexibility and efficiency. Leveraging our SAP human resource system, we devised and improved our performance review and remuneration and incentive systems to enhance our human resource management.

STRATEGIES

Our strategic goal is to continue to enhance our presence as a professional financial services provider with high investment value for our shareholders and investors through prudent, high-quality and targeted growth. To achieve our goal, we plan to:

Consolidate and enhance our regional business advantages and optimize our operational network

We will strive to optimize our branch network, increase market penetration and seek to continue to grow our regional operations. In particular, we plan to:

- strengthen business integration in our branches and sub-branches in Jinzhou and make use of customer-focused one-stop marketing of various financial products and services to increase the productivity of our outlets;

- based on the principle of increasing efficiency, selectively increase our business coverage in our existing operation areas outside Jinzhou and open outlets in commercially active areas close to our target customer groups, while effectively supplementing our physical outlets through measures such as increasing self-service equipment and developing online, telephone and mobile banking;

- subject to regulatory approvals, strategically apply to open more branches in Liaoning Province and other provinces in the PRC, including the opening of more village and township banks; and

- further rely on information technology in network construction to continue the development of our electronic banking channels, enhance user experience, reduce operating costs and increase market recognition and customer coverage in order to form a broad range of channels for customers to access our services. We plan to set up an electronic banking channel integration platform and electronic business platform and then conduct product development and data mining on the platform to achieve online and offline coordinated marketing and services; develop advanced online banking channels, direct banking, WeChat banking and corporate mobile banking to provide a new experience to our customers;

construct an anti-fraud system for our electronic banking to improve the risk monitoring capabilities of electronic banking and set up an electronic banking security authentication platform to enhance the safety and convenience of electronic banking transactions.

Further strengthen our competitiveness in the SME and other small and micro customer businesses

We will continue to focus on serving our SME and other small and micro customers and further strengthen our competitiveness. In particular, we plan to:

- continue to develop our SME and "Three Smalls" businesses through the addition of new and innovative products, the integration of the latest technology and product innovation and the maintenance and the expansion of our product portfolio, and to improve our service system covering the entire life span of SMEs and increase market recognition of our SME and "Three Smalls" brands;

- expand our SME and "Three Smalls" customer base outside Jinzhou, increase our penetration of microcredit markets in other cities in Liaoning Province and selectively develop SME and "Three Smalls" customers in the large cities where we have established outlets by targeting concentrated potential customer groups; and

- further improve our SME business risk management system, develop practical business tools and relevant data analysis model, enhance our quantitative analysis system for analysis of potential customers' assets and cash flows and ensure the smooth handling of business by adopting innovative business processes for new business and new products.

Capitalize on the growth potential of personal financial services and further develop our retail banking business

We have a mission of becoming an asset management expert for retail customers. We plan to leverage on our business outlets and diversified business channels to further strengthen our customer sub-division and differentiated services and increase our product capabilities and marketing efforts. In particular, we plan to:

- emphasise in-depth development and cross-selling, rely on our advantages in community financial services such as collection and remittance and paying agent services and key product areas such as consumption loans, mortgages and credit cards to enhance cross-selling to, and development of, customers;

- continue to enhance our differentiated service system targeting different levels of customers, with an emphasis on the provision of diversified professional wealth management services to middle- and high-end customers and high net worth individuals, in order to increase the number, retention rate and comprehensive contribution of our customers; in particular, we plan to develop our private banking business targeting individual customers with financial assets of over RMB6 million. We plan to continue to establish private banking centers at our outlets and provide exclusive, packaged services to such customers; and

- continue to enlarge our product portfolio and scope of services, enrich our product lines to meet the various needs of customers, strive to develop our business in relation to insurance, funds, gold, wealth management and financial advisory services and provide customized products and services targeting high-end customers. In addition, leveraging the CBRC approval we obtained in February 2015 to issue credit cards to the general public, we plan to significantly expand our credit card business. We also plan to gradually expand the scope of application of our financial IC cards, such as on residents' health cards and social security cards.

Further diversify our products and services and expand our intermediary business

We plan to further expand the portfolio of our products and services and seek additional business qualifications where necessary in order to build a comprehensive and integrated business platform. For example, in August 2015 we obtained from the CBRC a license to engage in the financial leasing business and are preparing to establish a subsidiary to carry out such business. In particular, we plan to allocate more resources to develop our investment banking, asset management, wealth management and private banking businesses; further diversify the sources of our revenue and maintain a balanced business mix through the expansion of our intermediary businesses and other capital-efficient businesses. In addition to the product and service innovation mentioned above, we plan to:

- focus on the development of our investment banking business, expand our bond financing business, provide financial services for bond issuance in the interbank market or stock exchange for non-financial institutions, including issuance of short-term financing bonds, medium-term notes, enterprise bonds, corporate bonds and private placement notes (PPN), as well as expand business in the capital markets, through the provision of comprehensive financial solutions for enterprises through integrated use of the financial tools in the capital markets, such as venture capital, structured financing, M&A lending, private placement and asset securitization;

- in respect of our asset management business, search for opportunities to develop open-end wealth management products in order to meet customers' needs for flexible purchase and redemption; broaden the scope of investments using proceeds from the sale of wealth management products, further strengthen our cooperation with the interbank market, stock exchanges, securities companies, trust companies and peers, and increase investment in bonds, bill assets, revenue rights, credit assets, trust loans and equity financing with repurchase clauses;

- in respect of our treasury business, seek to begin conducting interbank market RMB derivatives operations, actively participate in innovative businesses encouraged by authorities such as the PBOC, including, among others, the issuance of interbank negotiable certificates of deposit and application for new business licenses, actively expand cooperative financial institutions and interbank investment targets such as bank acceptance bills, financial leasing assets and fund products, with a focus on participating in investments in standardized products issued in the interbank market and stock exchange markets; and

- in respect of our international business, shift from trade financing business to trade-related value-added financial businesses; strengthen the development of trade financing products and combine such products with financial derivatives; explore new cross-border RMB needs to promote innovation in the cross-border RMB business; and leverage our license for basic derivatives to conduct hedging derivatives business.

Enhance operational management, internal controls and risk management

We plan to further enhance our operational management, internal controls and risk management to manage our financial risks at a reasonable risk level and pursue quality and sustainable development. Specifically, we will continue to:

- enhance our organizational structure and strengthen the independence of our internal audit department;

- further improve the internal control systems of our various departments and business lines, enhance our risk control procedures, strengthen the management of authorizations of risk management positions, maintain appropriate separation of business and risk monitoring functions and establish a risk information reporting mechanism and evaluation and feedback system that comprehensively covers our business;

- enhance our risk measurement assessments, further improve measurement and statistics compilation of basic risk indicators such as the history of credit default probability, asset-liability sensitivity and interest sensitivity, optimize our customer and debt rating model and enhance the collection of certain risk-related data in our operations; and

- optimize and restructure our operational procedures to shift from department-based to process-based operations by:

  ➢ improving our front office services to increase efficiency and customer service;

  ➢ strengthening our vertical risk management and internal audit function and enhancing the support capabilities of our mid-office services;

  ➢ building back office management and control centers to enhance our efficiency and centralized processing capabilities; and

  ➢ continuing to improve our risk management, financial management and human resources management to optimize the interconnection and coordination of our business systems, management and supporting systems and decision-making support.

Continue to improve our information system

We will continue to improve our information system and shift from technology-oriented IT management to service-oriented management in order to satisfy the evolving market demand and capture opportunities arising from the future development of the PRC banking industry. We plan to:

- establish standard IT project management procedures to ensure effective project management and reduce costs;
- optimize the structure of our information network, strengthen its management and maintenance and enhance its capabilities to achieve stable and efficient operation;
- supplement our risk prevention system and improve our data centers and disaster recovery centers to safeguard the operation of our information system;
- utilize IT tools to optimize our operation management, increase efficiency and reduce costs, leverage our IT system to structure a comprehensive and systematic management framework and increase its manageability; and
- capitalize on the trend of internet financial services to transform our marketing, promote the development of community financial services systems, electronic banking and electronic commerce and implement internet-based financial products and trading platforms.

Enhance our people-oriented human resource management

We will further improve our human resource development, training, evaluation and incentive systems. We plan to:

- supplement our educational resources, continue to build our internal training academy, increase the use of advanced training tools and enhance our training evaluation system;
- enhance cooperation with domestic and overseas financial institutions and strengthen the training of our mid-level and senior management to keep them up-to-date with the latest developments in the financial industry and further strengthen their management skills;
- improve our job categorization system and standardize our human resource allocation system based on our SAP human resource system, supplement our job qualification system based on the analysis of specific positions, encourage our staff to improve professional skills and endeavor to "match people with positions and realize people's potential" ("人崗匹配，人盡其才"); and

- continue to improve our remuneration and performance evaluation system, maintain an open, transparent and effective human resource appraisal framework, enhance performance review, bonus and discipline systems, improve job-based salary management based on our job qualification system, explore mid- and long-term incentive mechanisms for our senior management and carry out research on employee shareholding schemes to balance short term and long term incentives and material and non-material incentives.

OUR PRINCIPAL BUSINESS ACTIVITIES

Our principal business is the taking of deposits from our corporate and retail customers and the funding of our loan and investment portfolios using these deposits. We generate operating income primarily from net interest income and income derived from intermediary services. We conduct our business through the following principal business segments: corporate banking, retail banking and treasury business. The following table sets forth our operating income by business segment for the years indicated.

	Year ended December 31,						Six months ended June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate banking	2,383.6	68.4%	2,314.9	59.0%	2,807.6	48.5%	1,783.0	38.1%
Retail banking	704.5	20.2%	751.7	19.2%	869.3	15.0%	471.1	10.1%
Treasury business	367.3	10.5%	831.4	21.2%	2,090.9	36.1%	2,415.9	51.6%
Others[(1)]	30.7	0.9%	24.1	0.6%	26.8	0.4%	9.6	0.2%
Total	**3,486.1**	**100.0%**	**3,922.1**	**100.0%**	**5,794.6**	**100.0%**	**4,679.6**	**100.0%**

Note:

(1) Including businesses not considered part of the other three business segments, which mainly include leasing income and non-operating income such as government subsidies.

Corporate Banking

We provide our corporate banking customers with a diverse range of financial products and services, including corporate loans (including trade financing), bill discounting, corporate deposits and intermediary business products and services. Our corporate banking customers are mainly SMEs, though we have also developed a number of Large Enterprise and public institution customers in recent years. As of June 30, 2015, we had total corporate loans of RMB84,914.9 million, and total corporate deposits of RMB95,858.7 million. As of the same date, we had a total of more than 2,000 corporate loan customers and more than 50,400 corporate deposit customers.

Corporate banking is one of our major sources of operating income. In the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, operating income from our corporate banking business accounted for 68.4%, 59.0%, 48.5% and 38.1%, respectively, of our total operating income.

Corporate Loans

Corporate loans have historically been the largest component of our loan portfolio. Most of our corporate loans are in RMB, while a small portion are in foreign currencies. Our corporate loans comprise short-term loans and medium- and long-term loans. In terms of customer size, our corporate loans consist of SME loans and non-SME loans, such as loans to Large Enterprises and public institutions. We typically require the provision of collateral, pledges and/or guarantees for the corporate loans we make, except in the case of customers we regard as being exceptionally creditworthy based on our internal assessment. As of December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our corporate loans amounted to RMB60,720.8 million, RMB73,595.6 million, RMB81,151.8 million and RMB84,914.9 million, respectively, accounting for 96.1%, 94.1%, 91.4% and 90.2%, respectively, of our total loans and advances to customers.

The following table sets forth our corporate loans by maturity as of the dates indicated.

	As of December 31						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Short-term loans (one year or less)	26,449.2	43.6%	33,770.6	45.9%	38,228.6	47.1%	34,619.2	40.8%
Medium- and long-term loans (more than one year)	34,271.6	56.4%	39,825.0	54.1%	42,923.2	52.9%	50,295.7	59.2%
Total corporate loans	**60,720.8**	**100.0%**	**73,595.6**	**100.0%**	**81,151.8**	**100.0%**	**84,914.9**	**100.0%**

The following table sets forth our corporate loans by size of corporate banking customers as of the dates indicated.

	As of December 31						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
SME loans	42,477.0	69.9%	54,354.6	73.9%	63,989.8	78.9%	69,871.5	82.3%
Non-SME loans(1)	18,243.8	30.1%	19,241.0	26.1%	17,162.0	21.1%	15,043.4	17.7%
Total corporate loans	**60,720.8**	**100.0%**	**73,595.6**	**100.0%**	**81,151.8**	**100.0%**	**84,914.9**	**100.0%**

Note:

(1) Non-SME loans mainly include loans to Large Enterprises and public institutions.

We are particularly focused on developing our SME loan business. The loans we provide to SME customers are primarily working capital loans, fixed asset loans and trade financing. On an operational level, we categorize SME loans of RMB5 million or less together with our retail loans in our retail banking business as "Three Smalls" loans for our internal management purposes. For details see "— Our Principal Business Activities — Retail Banking — Retail Loans — "Three Smalls" Loans".

As of June 30, 2015, the number of our SME loan customers exceeded 1,800, and the weighted average annualized yield of our SME loans was 7.64%. The average yield of our loans overall was 7.36% for the six months ended June 30, 2015. As of December 31, 2014, according to the PBOC, our market share of SME loans in Jinzhou was 60.8%.

Our SME customers are engaged in a wide range of industries, primarily including the wholesale and retail, manufacturing and construction industries. We have developed a comprehensive product system and the capability of providing customized services to SME customers in various stages of their life cycles in different industries. We have actively designed tailor-made financing proposals for various SME customers, which provided rapid and efficient approval and flexible guarantees options for them, enabling our financing proposals to meet the financing needs of our customers in varying industries with different cash flow profiles and at various stages of development.

In order to effectively manage customer relationships, improve customer loyalty, identify high quality potential customers and capture business opportunities, we became the first bank in 2003 to establish an SME service center in Jinzhou to provide SMEs with comprehensive services, such as financial consulting, legal consulting, capital verification and notarization. Based on the financial position and risk profile of SMEs, we conduct credit rating assessments for companies and grant higher credit lines to companies with a high credit rating within a certain period of time.

We believe that our SME loans business has established a good industry reputation and has been recognized by regulatory institutions in the PRC. For six consecutive years since 2007, we were recognized as one of the "Top Ten Commercial Banks in China for Supporting the Development of SMEs" (全國支持中小企業發展十佳商業銀行) by the China SMEs Association and China SME Owners Annual Summit. In 2012, we were recognized as a "Pioneering Institution in the China Banking Industry for Providing Financial Services to Small and Micro Enterprises" (全國銀行業金融機構小微企業金融服務先進單位) by the CBRC. In 2014, we were recognized as an "Excellent Financial Institution for Supporting Small and Micro Enterprises with Financial Services in Liaoning Province in 2013" (2013年度遼寧省支持小微企業金融服務優秀金融機構) by the Liaoning Banking Industry Association and Liaoning Province Trade Union of Trade, Textile, Finance Industries and Light Industries (遼寧省財貿輕紡金融工會).

Our non-SME loans mainly include loans to Large Enterprise customers and public institutions. Our Large Enterprise customers mainly include large-scale enterprises in the manufacturing, wholesale, retail and construction industries. As of June 30, 2015, we had 68 Large Enterprise loan customers.

To capture growth opportunities in the import and export markets in China and extend our value chain, we have developed certain products to provide short-term financing and access to credit facilities to import and export companies. We carry out trade financing transactions in a variety of currencies and our products cover a variety of transaction types and settlement methods used by our customers. The products that we offer include inward and outward bills purchased under letters of credit, import and export collection advances, outward remittance advances, export invoice financing, export credit financing and packing loans. In recent years, we increased our marketing efforts toward import and export companies, and expanded our trade financing business. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our trade financing interest income was RMB39.5 million, RMB125.8 million, RMB171.3 million and RMB95.7 million, respectively.

In addition to standard corporate loan products, we have devised certain corporate loan products to satisfy the particular financing needs of our customers while maintaining our risk control standards. For example, we extend short-term working capital loans using our customers' current inventory as security. The borrower is required to deliver the inventory to a warehouse designated by us where it will be subject to monitoring and inspection. We generally only accept goods that are non-perishable, measurable, easy to sell, and with clear title as security.

Bill Discounting

Bill discounting involves the purchase of bank and commercial acceptance bills before maturity at a discount. We provide bill discounting as a form of short-term financing for our corporate customers. We may also re-discount discounted bills with the PBOC or other authorized financial institutions to increase our liquidity. As of June 30, 2015, we had a balance of RMB243.3 million in discounted bills, representing 0.3% of our total corporate loans.

Corporate Deposits

We offer our corporate banking customers time and demand deposits in Renminbi and major foreign currencies. We currently offer RMB-denominated time deposits with terms ranging from three months to five years. The following table sets forth our corporate deposits by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Demand deposits	25,512.0	54.1%	27,179.2	52.0%	31,170.7	41.6%	28,953.3	30.2%
Time deposits	21,634.0	45.9%	25,066.8	48.0%	43,739.4	58.4%	66,905.4	69.8%
Total corporate deposits	**47,146.0**	**100.0%**	**52,246.0**	**100.0%**	**74,910.1**	**100.0%**	**95,858.7**	**100.0%**

Our corporate deposit customers include fiscal and government agencies and institutions, state-owned enterprises, privately owned enterprises and foreign-invested enterprises. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our total corporate deposits amounted to RMB47,146.0 million, RMB52,246.0 million, RMB74,910.1 million and RMB95,858.7 million, respectively, accounting for 56.9%, 56.3%, 62.7% and 63.9%, respectively, of our total deposits.

Corporate Banking Intermediary Business

We provide our corporate customers with a broad range of intermediary products and services, which mainly include settlement services, guarantee services, agency services and cash management services. In 2012, 2013 and 2014 and the six months ended June 30, 2015, our net fee and commission income from intermediary business products and services provided to our corporate banking customers amounted to RMB71.9 million, RMB48.9 million, RMB91.9 million and RMB107.8 million, respectively.

Settlement Services

Our settlement services can be divided into domestic settlement products and services and international settlement products and services.

Domestic settlement products and services. Our domestic settlement products and services primarily include cheques, bills, foreign exchange and consignment collection. In 2012, 2013 and 2014 and the six months ended June 30, 2015, our domestic corporate settlement transaction volume amounted to RMB11,310.8 billion, RMB20,297.6 billion, RMB29,132.9 billion and RMB14,930.2 billion, respectively. As of June 30, 2015, we had more than 48,000 corporate domestic settlement customers.

International settlement products and services. Our international settlement products and services for corporate customers primarily consist of import and export letters of credit, import and export collection and international remittances. In 2012, 2013 and 2014 and the six months ended June 30, 2015, our corporate international settlement transaction volume amounted to US$2,652.7 million, US$2,952.5 million, US$3,464.3 million and US$3,264.4 million, respectively. As of June 30, 2015, we had more than 500 corporate international settlement customers.

Guarantee Services

We provide corporate banking customers with bank guarantee services, in the form of contract performance guarantees, payment guarantees and other types of guarantees. Such guarantees are generally reviewed and approved under the same procedure for extending corporate loans. We generally require the customers of our bank guarantee services to make security deposits with us to cover such percentages of the amounts of the guarantees as determined by us. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the amounts in respect of letters of guarantee issued by our Bank were RMB 78.4 million, RMB 116.4 million, RMB1,782.9 million and RMB5,269.0 million, respectively.

Agency Services

We provide agency services to our corporate customers, which mainly include the sale as an agent of fund products and precious metals, and the collection of utilities fees and mobile phone charges. We consider such agency services beneficial for maintaining close relationships with customers and for enhancing our reputation and brand recognition among the general public.

Cash Management Services

We provide a variety of cash management products and services to our corporate banking customers and may charge processing fees. Such services mainly include RMB collection and payment services, account services and settlement and clearance services.

Wealth Management Services

We offer wealth management products with different terms and yields in line with market changes and customers' risk tolerance as well as corporate customers' needs, in order to satisfy the financial and investment needs of our corporate customers. We provide diversified financial services to corporate customers through developing wealth management products under our "7777" brand, which invest in bonds and deposits with banks and other financial institutions. See "— Treasury Operations — Treasury Operations Conducted on Behalf of Customers".

Corporate Customer Base

We have built a strong corporate customer base. As of June 30, 2015, we had over 50,400 corporate deposit customers and over 2,000 corporate loan customers. In recent years, we have strived to expand our corporate customer base in the regions outside of Northeastern China, and the number of our corporate customers from such regions continues to increase. As of June 30, 2015, we had more than 8,000 corporate customers with accounts at our branches in Beijing or Tianjin.

Our large corporate customers mainly include Large Enterprises in the manufacturing, wholesale and retail and construction industries. As of June 30, 2015, we had 68 Large Enterprise loan customers. In addition, we have a significant number of SME customers. As of June 30, 2015, we had over 1,800 SME loan customers with total loans of RMB69,871.5 million.

Retail Banking

We offer a wide range of products and services to retail banking customers, including retail loans, retail deposits, bank cards and intermediary services. We promote our "7777" brand in our retail banking business, in particular for our bank card and personal wealth management business lines. "7777" refers to "seven days a week, seven types of exclusive services, seven customer service goals and seven highlights of customer experience".

Our retail banking business has developed over recent years. In 2012, 2013 and 2014 and the six months ended June 30, 2015, the operating income from our retail banking business was RMB704.5 million, RMB751.7 million, RMB869.3 million and RMB471.1 million, respectively. As of June 30, 2015, we had over 3.6 million retail deposit customers and over 9,900 retail loan customers. As of the same date, our retail deposit balance was RMB54,171.3 million, accounting for 36.1% of our total customer deposits, and our retail loan balance was RMB8,960.2 million, accounting for 9.5% of our total loans and advances to customers. As of June 30, 2015, we had issued over 3.1 million debit cards and over 22,000 credit cards.

Retail Loans

Retail loans primarily consist of personal business loans and personal consumption loans. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our retail loans amounted to RMB2,306.5 million, RMB4,496.2 million, RMB7,475.8 million and RMB8,960.2 million, respectively, representing 3.6%, 5.7%, 8.4% and 9.5% of our total loans and advances to customers, respectively.

The following table sets forth information on our retail loans by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Personal business loans	2,016.2	87.4%	3,933.6	87.5%	6,692.6	89.5%	7,877.7	87.9%
Personal consumption loans	185.5	8.0%	372.9	8.3%	480.4	6.4%	724.0	8.1%
Residential and commercial mortgage loans	86.8	3.8%	151.2	3.4%	230.7	3.1%	281.4	3.1%
Credit card overdrafts and others	18.0	0.8%	38.5	0.8%	72.1	1.0%	77.1	0.9%
Total retail loans	**2,306.5**	**100.0%**	**4,496.2**	**100.0%**	**7,475.8**	**100.0%**	**8,960.2**	**100.0%**

Personal Business Loans

We provide retail customers with loans for their business needs. Customers of our personal business loans include, among others, owners of small and micro enterprises, individually-owned businesses and rural households. Such loans have tenors generally not exceeding three years and can be credit loans or secured by collateral, pledges or guarantees.

Personal Consumption Loans

We provide the following personal consumption loans to our retail customers:

- **Personal Automobile Loans** - We provide personal automobile loans for customers purchasing automobiles from designated dealerships. Such loans are typically secured by the underlying automobile being purchased and have tenors generally not exceeding five years.

- **Small Guaranteed Loans for Laid-off Workers** - Subject to receiving guarantees provided by qualified loan guarantee institutions, we provide small RMB loans to laid-off workers in China. Such loans do not generally exceed RMB100,000 and have tenors generally not exceeding two years.

- **Personal Residence Renovation Loans** - We provide loans to customers for the renovation of their personal residence, e.g. to cover the expenses of construction and materials. Such loans can be credit loans or secured by collateral, pledges or guarantees. The loans are generally not more than RMB500,000 and have tenors generally not exceeding five years.

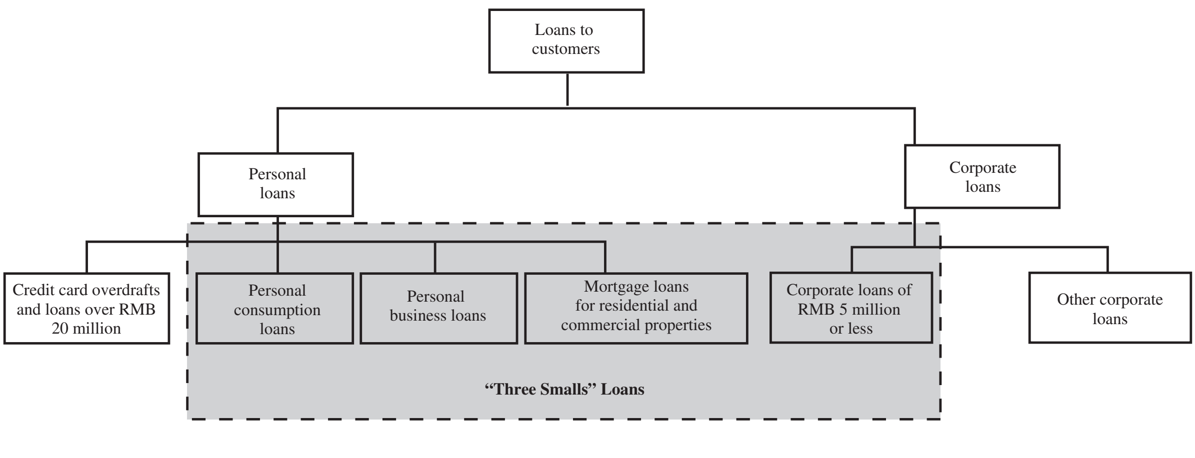
- **Other Personal Consumption Loans** - We provide a variety of other personal consumption loans to our retail customers, such as personal loans for high-value durable consumer products and personal travel loans. Such loans can be credit loans or secured by collateral, pledges or guarantees, and have tenors generally not exceeding two years (in respect of personal loans for high-value durable consumer products) and one year (in respect of personal travel loans).

Mortgage Loans for Residential and Commercial Properties

We provide individual customers with personal mortgage loan products for their purchases of both new and secondary market residential and commercial properties. Mortgage loans for residential and commercial properties are usually secured by the underlying properties being purchased and have tenors of up to 30 years. Generally, the maximum amount of such loans will not exceed 70% of the purchase price of the purchased property.

”Three Smalls” Loans

We provide customized services to small enterprises, small shops and small retail stalls, which we refer to as the “Three Smalls” (“三小”). We generally categorize all our retail loans (except credit card overdrafts and retail loans of more than RMB20 million) and corporate loans of not more than RMB5 million as “Three Smalls” loans for management purposes. We are of the view that small-sized corporate borrowers are often closely associated with, and driven by, their individual owners, which makes them similar to individual business borrowers in many aspects. Therefore, categorizing them together facilitates our provision of customized financial services to them. According to such categorisation, “Three Smalls” loans include part of our SME loans described above under “— Corporate Banking — Corporate Loans”. Our SME loans of more than RMB5 million are not included in the “Three Smalls” business. The following diagram illustrates our “Three Smalls” loans business.



Our "Three Smalls" corporate loan customers are mainly engaged in the wholesale and retail and manufacturing industries, and our "Three Smalls" personal business loan customers include those engaged in, among others, agricultural, service, and wholesale and retail businesses. As of June 30, 2015, we had more than 9,300 "Three Smalls" loan customers, including more than 900 corporate customers and more than 8,400 retail customers, and the balance of our "Three Smalls" loans amounted to RMB10,436.0 million, representing 11.1% of our total loans and advances. Of such loans, NPLs amounted to RMB94.6 million, representing an NPL ratio of 0.91%.

We have enhanced the competitiveness of our SME and "Three Smalls" business through the following measures:

Consolidated management and preferential resource allocation. We are committed to serving small and micro enterprises and supporting the development of the local real economy. To this end, we have implemented a policy of allocating our incremental lending quota to small and micro enterprises, in particular "Three Smalls" customers, on a preferential basis. We have established a separate department in our headquarters responsible for our "Three Smalls" business, and have also set up designated departments in each of our city-level branches. We have also established "Three Smalls" and Individual Customers Service Centers in certain of our outlets. Through these and other measures, we have consolidated the management of our "Three Smalls" business and formed a separate business line with integrated marketing, application handling, review and approval, post-drawdown management and risk-focused early warning functions, which we believe provides a sound base for the continued growth of our "Three Smalls" business.

Customized product mix and multi-channel service platform. We have developed the "San Xiao Le" ("三小樂") service brand for our "Three Smalls" customers, which encompasses the "Start-up Plan" ("創業計劃"), "Growth Plan" ("成長計劃") and "Taking-off Plan" ("騰飛計劃") product series targeting small businesses at various stages of growth, and the "Good-quality Life Plan" ("優質生活計劃") product series targeting personal consumption loan borrowers. In particular, we strive to provide high-quality customers with credit loan products that meet their specific needs and reduce their financing costs. We have established a comprehensive and convenient financial service platform for our SME and "Three Smalls" customers. In addition to our outlets, we have opened telephone and online "Three Smalls" loans application channels to enable potential customers to apply for credit by phone and the internet. After the granting of credit, customers may drawdown and repay loans through our telephone and online banking channels.

Efficient and streamlined approval process. In order to increase efficiency and shorten processing time while maintaining appropriate levels of risk management, we have customized and streamlined our credit approval process for "Three Smalls" loans, and strictly follow time limits for our investigation and review procedures for loan applications. Our sub-branch heads are authorized to approve credit within certain limits, beyond which loans must be approved by an independent approval officer pursuant to a three step system. Generally, an applicant can receive payment of the loan within two to three working days from submitting all required documentation, if the application is approved.

Strict risk control and solid asset quality. We conduct preliminary ratings of potential "Three Smalls" customers using our customized creditworthiness rating system. We determine the amount, tenor, security and pricing of SME and "Three Smalls" loans based on a quantitative analysis of potential customers' assets and cash flows. We carry out post-drawdown inspections to monitor loan quality and provide early warning of potential risks. We have maintained a low NPL ratio for our "Three Smalls" loans, which was 0.91% as of June 30, 2015.

Enhanced profitability and rapid profit growth. Leveraging our high service quality and efficient approval process, we have increased our business pricing ability and profitability. As of June 30, 2015, the weighted average annualized yield of our "Three Smalls" loans was 7.90%, while the average annualized yield of our loans overall was 7.36% for the six months ended on the same date.

Our "Three Smalls" business has benefitted from the above measures and has been recognized by peers and regulatory authorities. Our "San Xiao Le" (「三小樂」) product series was recognized by the CBRC as a "2012 Special Financial Service Product for Small and Micro Enterprises by Banking Financial Institution in China" (2012年度全國銀行業金融機構小微企業金融服務特色產品) in 2013, and recognized as "Excellent Financial Products for Supporting Small and Micro Enterprises with Financial Services in Liaoning Province Banking Industry in 2013" (2013年度遼寧省銀行業支持小微企業金融服務優秀金融產品) by the Liaoning Banking Industry Association in 2014. We believe that our "Three Smalls" business will enable us to capture the growth opportunities in the local economy and further enhance our business and financial results.

Retail deposits

We offer retail banking customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies and provide Renminbi notice deposit products. Our retail time deposits denominated in Renminbi have maturities generally ranging from three months to five years. Our retail time deposits denominated in foreign currencies have maturities ranging from one month to two years. Notice deposits can be withdrawn by giving prior notice of either one day or seven days, depending on the type of product, and offer higher interest rates than demand deposits. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our retail deposits amounted to RMB35,640.3 million, RMB40,518.6 million, RMB44,492.9 million and RMB54,171.3 million, respectively, accounting for 43.1%, 43.7%, 37.3% and 36.1% of our total deposits, respectively.

Bank Card Services

Our bank card services include debit and credit card services. Save for certain specialized debit cards as described below, all our bank cards are issued under the "7777" brand, which is our key retail banking brand.

Debit Cards

We issue Renminbi debit cards to retail customers who maintain deposit accounts with us. We currently classify our debit cards into general cards, "Youyue" ("悠悅") cards, gold cards, platinum cards and black gold cards according to our customer classification system, which is mainly based on the customer's daily average financial asset balances. We also issue specialized debit cards with added features such as special card designs and discounts at designated merchants. Our Renminbi debit card is a multi-function card that can be linked to multiple accounts, including demand and time deposit accounts. As a member of China UnionPay, our debit cards are accepted not only by our own network but also throughout the China UnionPay network located in China and many other countries and regions. As of June 30, 2015, we had issued over 3.1 million debit cards.

Credit Cards

After obtaining the relevant CBRC approval, we began in March 2012 to issue credit cards primarily to employees of government agencies and public institutions. Apart from the general overdraft function, such cards provide installment payment plans, various bonus point redemption plans and repayment channels, such as counter repayments, self-service banking facilities, online banking, telephone banking and automatic deduction. In February 2015, we obtained the approval from the CBRC to issue credit cards to the general public. As of June 30, 2015, we had issued more than 22,000 credit cards. For the six months ended June 30, 2015, the total transaction amount of such credit cards was RMB518.8 million.

Retail Banking Intermediary Business

We provide our retail banking customers with a wide range of intermediary services, which mainly include personal wealth management services and agency and intermediary services.

Personal Wealth Management Business

Our personal wealth management business provides a wide variety of service products to our mid- and high-end retail customers, including the provision of priority services and various financial products. We promote our personal wealth management services under the "7777" brand. In 2012, we established our wealth management business management system to support our account managers. We have set up "7777 Wealth Centers" in all of our city-level branches and some of our sub-branches to provide one-stop services to our personal wealth management customers.

In May 2010, we started to sell our "7777 wealth management" series of RMB wealth management products. Currently, such products are all devised by us and mainly include the "Chuang Ying" ("創贏") series of principal-guaranteed floating return products, which mainly invest in standard financial products such as interbank deposits and bonds. We also offer the "Chuang Fu" ("創富") series of non-principal-guaranteed floating return products, which mainly invest in non-standard financial products such as corporate bonds, and the "Jin Xiu" ("錦綉") series of structured products, which mainly invest in inter-bank deposits and derivatives. See "— Treasury Operations — Treasury Operations Conducted on Behalf of Customers".

Agency and Intermediary Services

Our agency and intermediary services mainly include payroll services, insurance products distribution as an agent, personal payment settlement services, safe deposit box services and various other collection and payment services for public utilities, certain SOEs and their end customers through our retail outlets, self-service zones, internet and mobile banking and customer service centers. In the six months ended June 30, 2015, the total amount of salaries, allowances and subsidies paid through our payroll services exceeded RMB8.7 billion.

Other Retail Banking Intermediary Business

Other retail banking intermediary business primarily includes foreign exchange services and transfer and remittance services.

Retail Customer Base

We have an extensive retail banking customer base in Jinzhou, and have seen a rapid increase in our retail customer base outside Jinzhou. As of June 30, 2015, we had over 3.6 million retail banking deposit customers and more than 9,900 retail banking loan customers.

We classify our retail banking customers into ordinary customers and mid- and high-end customers depending on whether the balance of their personal daily average financial assets in their accounts with us exceeds RMB200,000 or not. We focus our marketing efforts on growing the number of our mid- and high-end customers. As of June 30, 2015, the number of our retail customers with personal financial assets of RMB200,000 or above was over 63,100.

Treasury Business

Our treasury operations primarily consist of money market transactions, investment and trading activities, treasury operations conducted on behalf of customers and bond underwriting and distribution. In conducting our treasury operations, we strive to ensure our liquidity and returns, and achieve a balance between returns and risks on our investment portfolio by taking into consideration the market and macroeconomic conditions. Our treasury operations have grown significantly in recent years, which is mainly due to the growth in our investments in other debt instruments issued by financial institutions. In 2012, 2013 and 2014 and the six months ended June 30, 2015, operating income from treasury operations amounted to RMB367.3 million, RMB831.4 million, RMB2,090.9 million and RMB2,415.9 million, respectively, representing a CAGR of 138.6% from 2012 to 2014.

The following table sets forth the operating income of our treasury business by business lines as of the dates indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
	(in millions of RMB)			
External Interest income				
Debt securities classified as receivables	455.3	1,334.7	4,492.0	4,580.1
— Beneficial interest transfer plans	158.6	1,262.2	3,896.0	4,373.8
— Wealth management products of financial institutions	296.7	72.5	596.0	206.3
Debt securities	661.9	997.4	1,296.5	1,076.7
Deposits with banks and other financial institutions	181.8	511.8	1,068.9	316.7
Deposits with the central bank	238.8	316.4	397.6	212.6
Others	44.5	334.4	346.6	223.6
External Interest expense				
Deposits from banks and other financial institutions	(637.7)	(2,369.5)	(4,429.0)	(2,666.4)
Others	(218.8)	(479.3)	(1,228.6)	(577.0)
Internal net interest (expenses)/income	(453.1)	189.7	133.0	(832.6)
Net interest income	272.7	835.6	2,077.0	2,333.7
Other operating income/(expense)	94.6	(4.2)	13.9	82.2
Total	367.3	831.4	2,090.9	2,415.9

Money Market Transactions

We use money market instruments as an important means to manage our liquidity. Our money market transactions primarily consist of interbank deposits, interbank borrowing and securities repurchase and reverse repurchase transactions in the interbank market.

Interbank deposits — We make deposits with, and accept deposits from, banks and other financial institutions for the purpose of adjusting our asset and liability structure. As of December 31, 2012, 2013 and 2014 and June 30, 2015, deposits from banks and other financial institutions amounted to RMB20,158.9 million, RMB52,391.2 million, RMB82,457.6 million and RMB107,040.6 million, respectively, while our funds deposited at banks and other financial institutions amounted to RMB8,759.2 million, RMB9,698.2 million, RMB12,520.6 million and RMB16,078.9 million, respectively.

Interbank borrowing and lending — We enter into unsecured borrowing and lending transactions with banks and other financial institutions. Our interbank borrowing transactions are mainly those conducted in foreign currencies. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our placements with banks and other financial institutions were nil, RMB1,980.6 million, nil and RMB912.3 million, respectively, and our placements from banks and other financial institution were RMB772.9 million, RMB3,029.9 million, RMB3,044.7 million and RMB4,700.2 million, respectively.

Securities repurchase and reverse repurchase — We enter into securities repurchase and reverse repurchase transactions whereby one party (the repurchasing party) pledges bonds to the other party (the reverse repurchasing party) for financing, with the agreement that the repurchasing party will on a specified future date return the financing with interest, calculated using an agreed rate, to the reverse repurchasing party in return for the release of the pledge. During the Track Record Period, we mainly acted as the repurchasing party in such transactions, and also provided short-term financing as a reverse repurchasing party in a small number of transactions. The securities underlying our interbank repurchase and reverse repurchase transactions primarily included RMB-denominated PRC treasury bonds and policy bank bonds.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our financial assets sold under repurchase agreements were RMB6,011.4 million, RMB9,034.4 million, RMB10,259.0 million and RMB11,561.9 million, respectively, and our financial assets held under resale agreements were RMB1,147.2 million, nil, nil and nil, respectively.

Investment and Trading Activities

Our investment portfolio primarily consists of investments in bonds and investments in other debt instruments issued by financial institutions. In addition, we started trading in derivatives and precious metals in 2014 and 2015, respectively.

Investments in Bonds

We invest in PRC government debt, policy bank bonds and high-rated corporate bonds. We manage our investment portfolio according to our investment guidelines, which we review and update on a regular basis. The guidelines set forth restrictions on the types and amounts of investments we may hold, including concentration limits, stop-loss limits, maturity limits, value-at-risk (VaR) limits and country risk restrictions. We set target returns on our investment portfolio, principally through our assessment of the interest rate, credit, liquidity, macroeconomic trends and other risks associated with the investment. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our investments in debt securities amounted to RMB18,009.7 million, RMB22,530.3 million, RMB24,600.0 million and RMB27,171.8 million, respectively.

In the 2013 China Bond Market Excellent Member Review organized by China Central Depository & Clearing Co., Ltd., we received the Bond Business Progress Award.

Trading in Derivatives

We started trading in foreign exchange derivatives in the second half of 2014 after obtaining the relevant approval from CBRC in June 2014 and making the relevant filing with SAFE in August 2014. As of June 30, 2015, we recorded an asset of positive fair value of derivatives of RMB15.8 million and a liability of negative fair value of derivatives of RMB21.7 million. For the six months ended June 30, 2015, our net trading gains from derivatives were RMB0.2 million.

In accordance with the CBRC and SAFE approvals, we carry out foreign exchange derivatives trading only in the interbank market for the purpose of hedging our foreign exchange exposure. We mainly trade in foreign exchange forwards. As of June 30, 2015, all our derivatives were foreign exchange forwards. The amount of our trading in derivatives will depend on the need for hedging foreign exchange exposure in the future.

Our trading in derivatives is subject to our overall risk management system. We limit our aggregate losses from our proprietary trading in foreign exchange and gold at RMB2 million per month and RMB5 million annually. Derivative transactions of over USD30 million and over USD40 million are subject to the approval of the head of our international business department and our vice president in charge of such business, respectively. We review the above limits annually.

Trading in Precious Metals

We started trading in precious metals in the first half of 2015 after making relevant filings with the PBOC in August 2014 and February 2015 for trading and interbank lending of gold, respectively. As of June 30, 2015, the balance of our precious metals amounted to RMB11.7 million recognised as financial assets at fair value through profit or loss. For the six months ended June 30, 2015, our net trading losses from trading in precious metals amounted to RMB0.5 million.

In accordance with our filings with the PBOC, we only trade in gold in the interbank market. We trade in precious metals with a view to supplementing our business lines and do not expect such business to expand significantly in the near future.

Our trading in precious metals is subject to our overall risk management system. In particular, in order to control market risk, we limit our trading account position in gold at RMB200 million and the aggregate of our overall trading account foreign currency position and position in gold at RMB400 million. We limit our aggregate losses from our proprietary trading in foreign exchange and gold at RMB2 million per month and RMB5 million annually. Gold transactions of over RMB30 million and RMB50 million are subject to the approval of the head of our international business department and our vice president in charge of such business, respectively. We review the above limits annually.

Investments in Other Debt Instruments Issued by Financial Institutions

Types of Investment

We invest our available funds in the financial products issued or launched by financial institutions in order to obtain long-term and stable investment returns. Our investments in other debt instruments issued by financial institutions primarily consist of beneficial interest transfer plans and wealth management products of financial institutions. As of June 30, 2015, 92.9% and 7.1% of our net investments in other debt instruments issued by financial institutions was invested in beneficial interest transfer plans and wealth management products of financial institutions, respectively.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balance of our investments in other debt instruments issued by financial institutions was RMB5,960.0 million, RMB35,421.2 million, RMB79,256.5 million and RMB124,785.2 million, respectively. In 2012, 2013, 2014 and the six months ended June 30, 2015, the interest income on such investments was RMB455.3 million, RMB1,334.7 million, RMB4,492.0 million and RMB4,580.1 million, respectively and the relevant average annualized yield of such investments was 6.89%, 7.45%, 7.92% and 8.80%, respectively. For a discussion of the increase in our investment in debt instruments issued by other financial institutions during the Track Record Period, see "Assets and Liabilities — Assets — Investment Securities and Other Financial Assets — Debt Securities Classified as Receivables, net".

Beneficial Interest Transfer Plans

Beneficial interest transfer plans are financial instruments linked with the beneficial interest of trust plans sponsored by trust companies or asset management plans issued by other financial institutions.

- Beneficial interest transfer plans linked with trust plans — we entrust trust companies (as managers) with the management of our funds and allow such managers to lend our funds to borrowers in their own names. According to the trust agreements, (i) we provide the trust company with written investment instructions, setting out the identity of the borrower and other terms and conditions of the loan to be extended; and (ii) the trust company then extend the loan to the borrower according to the written instructions in its own name.

  The basic relationship of the parties involved in our beneficial interest transfer plans linked with trust plans is illustrated by the following chart:

Note:

(1) In some cases borrowers provide credit guarantees from third parties instead of collateral or pledges. In some other cases borrowers do not provide any collateral, pledge or credit guarantee. See "— Investment Strategy and Risk Profile" below.

- Beneficial interest transfer plans linked with asset management plans — we enter into directional asset management contracts with financial institutions, such as asset management companies and securities companies, which act as managers. Under such contracts, (i) we provide the manager with written investment instructions, setting out the particulars of the products we plan to invest in using our funds; and (ii) the manager then invests our funds pursuant to our written instructions and in accordance with the contract.

The following table sets out a breakdown of our investments in beneficial interest transfer plans, as at the date indicated, into those linked with trust plans and those linked with asset management plans:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(amounts in millions of RMB)			
Investments in beneficial interest transfer plans linked with				
— trust plans	4,300.0	24,159.5	26,094.6	25,391.0
— asset management plans	—	7,989.9	50,467.0	90,844.3
Total amount of investments in beneficial interest transfer plans	4,300.0	32,149.4	76,561.6	116,235.3
Provision	—	—	(78.3)	(313.6)
Net amount of investments in beneficial interest transfer plans	4,300.0	32,149.4	76,483.3	115,921.7

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the interest rates we charged in relation to our investments in beneficial interest transfer plans linked with trust plans ranged between 8.70% and 9.00%, 4.90% and 10.46%, 4.90% and 12.37%, and 4.52% and 12.37%, respectively. For the same periods, the average annualized yield of our investments in beneficial interest transfer plans linked with trust plans was 8.80%, 8.23%, 8.03% and 8.88%, respectively.

Based on our requirements in conducting such category of business, borrowers may provide security to managers by pledging their respective legally owned properties and land plots as collateral. In some cases, borrowers provide security to managers by pledging certificates of deposits or providing credit guarantees from third parties. In some other cases borrowers do not provide any collateral, pledge or credit guarantee. See "— Investment Strategy and Risk Profile" below. As of June 30, 2015, substantially all of our outstanding investments in beneficial interest transfer plans linked with asset management plans were made by way of entrusted loans and the remaining underlying products were mainly directional debt financing instruments, which are debt instruments issued by corporate borrowers through private placements via domestic trading platforms in the PRC. Therefore, we consider the risk profiles of investments in beneficial interest transfer plans linked with trust plans and asset management plans to be generally similar, and conduct both types of investments under the same approval procedures and subject to the same risk control measures. For further details, see "— Investment Strategy and Risk Profile" and "— Approval Procedures and Risk Control" below.

Although our corporate loan business and investments in beneficial interest transfer plans both involve the provision of financing to corporate borrowers, they are different in a number of aspects:

- The corporate loan business is part of our traditional lending business, while investments in beneficial interest transfer plans are a type of inter-financial institution investment business;

- In terms of risk management, we implement differentiated credit extension and authorization management in our branches for our corporate loan business while our beneficial interest investments are subject to the centralized approval and management by our head office; and

- In the event of default by a corporate loan borrower, we may, depending on the form of loan security, enforce the security and/or initiate legal proceedings against the borrower or guarantors; in the event of default by a borrower under a beneficial interest transfer plan, we may request the manager to take measures such as initiation of legal proceedings to enforce its rights under the mortgages, pledges or guarantees, so as to effectively control the risks associated with our investments. We may also bring claims against the manager for its failure to perform its obligations of managing the beneficial interest transfer plan pursuant to the contractual arrangement, although the manager does not provide any guarantee in relation to the beneficial interest transfer plan.

We consider investments in beneficial interest transfer plans to be beneficial to our business for a number of reasons:

- Through the inter-financial institution investment business, we believe we can enhance our business and product cooperation relationships with non-bank financial institutions, expand our business lines, further diversify the channels through which we acquire new customers, and improve our market penetration;

- In light of the trends of financial disintermediation and interest rate liberalization, we can meet customer preferences over different forms of financing by expanding our product portfolio and enriching the types of our services to customers; and

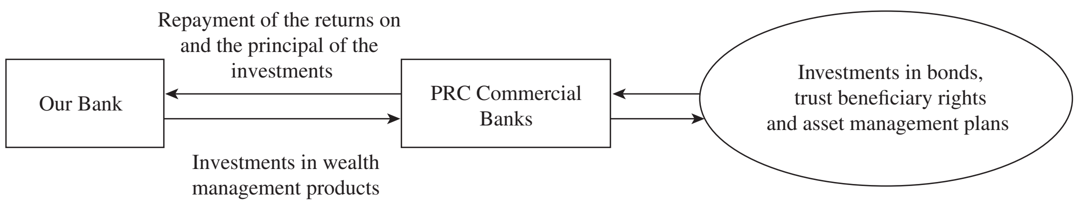
- We may achieve investment yields higher than those of certain other investment products available in the market, while maintaining investment risks at reasonable and manageable levels.

Wealth Management Products of Financial Institutions

We invest in wealth management products issued by other PRC commercial banks. Such commercial banks then, as promoters and managers of wealth management products, use the proceeds for conducting standard business such as bond investments and deposits in other banks or invest the proceeds in non-standard financial products such as trust beneficial interest and asset management plans.

According to the contracts we entered into with the financial institutions issuing wealth management products, the financial institutions generally will pay to us the investment yields at predetermined intervals and the principal upon the maturity of the products. The financial institutions issuing wealth management products are entitled to receive certain sales fees and/or administration fees, depending on the terms and conditions of the contracts.

The following chart shows the relationship amongst the parties involved in our investments in wealth management products issued by financial institutions:



As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our investments in wealth management products issued by other PRC commercial banks was RMB1,660.0 million, RMB3,271.8 million, RMB2,773.2 million and RMB8,863.5 million, respectively. In 2012, 2013, 2014 and the six months ended June 30, 2015, the interest income on such investments was RMB296.7 million, RMB72.5 million, RMB596.0 million and RMB206.3 million, respectively, and the relevant average annualized yield was 6.17%, 6.64%, 6.21% and 6.00%, respectively.

Investment Strategy and Risk Profile

Our investment strategy with respect to beneficial interest transfer plans is to invest on the basis of reasonable terms, stable returns and manageable risks and in compliance with the industry and regulatory policies of the PRC government. We closely monitor fluctuations in market interest rates and adjust our debt maturity structure by implementing strict liquidity management policies to reduce liquidity risk, thereby securing our return from these products while controlling risk.

We strictly control the selection of counterparties and our credit limits, which we review on an annual basis. We maintain a list of trust companies, asset management companies and securities companies approved by us on an annual basis for acting as managers. To enter the list, a candidate must satisfy the following conditions: (i) duly incorporated with qualified management and staff, good reputation and compliance record, and sound corporate governance, internal control, business operations and risk control systems; (ii) held by shareholders that also satisfy (i) above; (iii) a minimum track record of two years and profitable in the last two years; and (iv) total trust assets of more than RMB100 billion in the case of trust companies; total assets of more than RMB10 billion, or net assets of more than RMB3 billion, or net capital of more than RMB2 billion in the case of asset management companies and securities companies. As of June 30, 2015, we had on-going trust agreements with 16 trust companies, which mainly included large-scale trust companies that we considered to be reputable. As of the same date, we also had on-going directional asset management contracts with 16 securities companies and five asset management companies. The ultimate borrowers in connection with our investments in beneficial interest transfer plans are subject to our approval and are generally subject to the same set of criteria applicable to our own customers for credit extension.

In respect of beneficial interest transfer plans linked with trust plans, according to Zhong Lun Law Firm, our PRC legal advisor, entrusted assets are different from assets owned by trustees and will not be included in or become part of the assets of the trustee in accordance with the Trust Law of the PRC. Therefore, our rights under guarantees and our investments in the beneficial interest transfer plans should not be affected by any financial difficulties of the trust companies.

As of June 30, 2015, our funds invested in beneficial interest transfer plans were for the purpose of providing credit to the following types of borrowers: (i) approximately 35.5% was provided to wholesale and retail companies; (ii) approximately 26.7% was provided to manufacturing companies; (iii) approximately 11.2% was provided to leasing and commercial service companies; (iv) approximately 9.4% was provided to real estate companies; (v) approximately 6.2% was provided to construction companies; and (vi) approximately 11.0% was provided to other industries.

As of June 30, 2015, the principal and interest of substantially all of our investments in beneficial interest transfer plans were fully guaranteed by the borrowers to managers for repayment by way of the borrowers' own or third parties' charges over properties, pledges of certificates of deposit or third-party credit guarantees. As of June 30, 2015, approximately 19.4% of the balance of our investments in beneficial interest transfer plans was guaranteed by way of charges, approximately 34.3% by way of pledges, and approximately 44.2% by way of credit guarantees. If the borrowers fail to repay the principal and interest to the managers of the beneficial interest transfer plans, we may demand that the managers enforce the collateral, pledges or credit guarantees to recover or minimize our loss. The exercise of the rights under guarantees by the managers is generally not subject to any conditions. In addition, approximately 2.1% of the balance of our investments in beneficial interest transfer plans as of June 30, 2015 was not guaranteed by any collateral, pledge or credit guarantee.

In respect of security guarantees, we generally only accept collateral including properties and land with clear, legal and valid title and ownership. The value of such collateral is assessed and determined by our designated appraisal institutions. We typically require the loan amount to be no more than 70% of the value of land and properties, both as collateral. In respect of pledges, we generally do not accept pledges of certificates of bank deposit with a deposit amount less than the amount of principal payable by the borrower.

During the Track Record Period, the wealth management products in which we invested were generally non-principal guaranteed and offered floating investment yields depending on the portfolio investments under each product. As of June 30, 2015, all of the wealth management products issued by other financial institutions in which we invested were non-principal guaranteed. In order to manage the credit risk from our investments in the wealth management products, we mainly invest in wealth management products issued by Nationwide Joint-stock Commercial Banks. The market risks of our investments in wealth management products issued by other financial institutions primarily arise from the potential losses of the principal or the yield of the wealth management products as a result of the price fluctuations of the underlying assets of the wealth management products.

Historically, we obtain guarantees from financial institutions on part of our investments in other debt instruments issued by financial institutions. These include guarantees by third-party banks for our investments in beneficial interest transfer plans and guarantees by issuers for our investments in wealth management products. In April 2014, the CBRC, jointly with other government authorities, issued the Notice on the Regulation of Interbank Business in Financial Institutions (《關於規範金融機構同業業務的通知》, "Circular 127"), which disallows the provision of guarantees by third-party financial institutions in the conduct of interbank investment business. Therefore, we no longer obtain such guarantees, and the existing guarantees on our current investments will gradually expire as settlement of the underlying investments occurs. For further details on Circular 127 and our compliance therewith, please see "Supervision and Regulation — Regulation of Principal Commercial Banking Activities — Interbank Business".

As of June 30, 2015, 1.3% of the balance of our investments in beneficial interest transfer plans was covered by guarantees provided by third-party banks to us by way of forward repurchases or letters of undertaking. As of the same date, 23.1% of the balance of our investments in the wealth management products of other financial institutions was covered by guarantees provided by issuers of wealth management products by way of letters of undertaking.

Approval Procedures and Risk Control

Investigation and approval procedures for our investments in other debt instruments issued by financial institutions can be divided in three stages:

- Preliminary investigation: Before we make an investment, our Investment Banking & Interbank Department will conduct a due diligence investigation on the borrowers and the financed projects or, in the case of purchased investments previously held by other financial institutions, review such due diligence investigation conducted by the previous holders.

- Follow-up investigation: The Investment Banking & Interbank Department reviews the particulars of the investment and provides a review opinion.

- Final approval: The due diligence materials, credit approval and review opinion will be submitted to our risk management committee at our headquarters or our vice president in charge for approval. If approved, the Investment Banking & Interbank Department will forward the business approval sheet to the business execution unit for execution of the transaction.

Currently all of our investments in other debt instruments issued by financial institutions are subject to the approval of our risk management committee at our headquarters or our vice president in charge according to their respective approval limits. We calculate the risk rated ratios of investments in other debt instruments issued by financial institutions based on the requirements of the CBRC. As of the Latest Practicable Date, our vice president in charge of interbank business was authorized to approve interbank asset business transactions where (i) the risk rated ratio is not more than 25%; and (ii) the transaction amount is not more than RMB1 billion. Otherwise, the transaction will need to be approved by our risk management committee. We review the implementation of the approval limits on an annual basis and adjust such approval limits accordingly if deemed necessary.

Once we have made our investment, we control the risks of such investments in the following manner:

- According to the agreements between the managers and us, managers shall effectively manage the relevant instruments and timely inform us of any risk that may have an adverse effect on our investments; and

- In the event of default by the borrower of the underlying loan of an investment, we take measures with reference to, and consistent with, our internal rules on the handling of non-performing corporate loans. We may demand that the relevant manager take measures to minimise our losses. Such measures include, without limitation, (i) to conduct investigation on the borrower to ascertain the reasons for its default and its potential to fulfil its payment obligations in the future; (ii) to analyse the level of risks associated with our corresponding investment and devise / adjust the handling plan for our investment subject to our review; (iii) to exercise the manager's rights under the guarantees according to the agreement between the manager and us, such as the rights to offset the debt, to dispose of the collateral, to bring law suits and to apply to the court for enforcement; and (iv) to cooperate with us in the routine post-investment management, such as periodic onsite and remote monitoring, risk classification and information analysis. In such event of default, we may also further assess our provision on our investments and make additional provision accordingly if considered necessary.

We believe that our team members responsible for our investments in securities and other financial assets are familiar with the macroeconomic policies of the PRC government and regulatory requirements in the PRC financial market applicable to us, are experienced in investment operations, risk management and market analysis and judgment, and can implement our overall investment strategy effectively to achieve favorable returns on investment. For further details of our risk management in relation to our investments in other debt instruments issued by financial institutions, see “Risk Management — Credit Risk Management — Risk Management for Our Investments in Non-standard Credit Assets”.

Investments in other debt instruments issued by financial institutions, which typically have predetermined rates of return and fixed terms, carry certain credit risks. We depend on the managers and ultimate borrowers of such products to make investment decisions to achieve the agreed-upon rates of return. If the agreed-upon rates of return cannot be achieved or the principal of our investments cannot be maintained, we rely on the managers to reduce our losses and exercise our rights under the related contracts and guarantees to recover losses from the managers and any guaranteeing entities. See “Risk Factors — Risks Relating to Our Business — We have made substantial investment in debt securities classified as receivables, and any adverse development relating to these types of investments could materially and adversely affect our profitability and liquidity” and “Risk Factors — Risks Relating to Our Business — We are exposed to risks associated with one particular ultimate group borrower”. As of the Latest Practicable Date, there has not been any event of default in relation to such debt instruments that we invested in. In spite of this, we have started to recognize related provisions for impairment losses based on the principle of prudence. As of June 30, 2015, provisions made in respect of investments in other debt instruments issued by financial institutions was RMB313.6 million.

Treasury Operations Conducted on Behalf of Customers

In our treasury operations conducted on behalf of customers we manage funds received from the issuance of wealth management products to our corporate and retail customers. During the Track Record Period, we achieved significant growth in the scale of our treasury operations conducted on behalf of customers. In 2012, 2013 and 2014 and the six months ended June 30, 2015, we sold RMB-denominated wealth management products with a total transaction volume of RMB2,012.0 million, RMB7,319.7 million, RMB33,302.1 million and RMB29,302.0 million, respectively. As of June 30, 2015, we had over 57,000 customers that held wealth management products sold by us, the majority of which were retail customers.

In 2012, 2013 and 2014 and the six months ended June 30, 2015, the average size of each tranche of wealth management products we issued was RMB16.8 million, RMB30.2 million, RMB62.2 million and RMB61.3 million, respectively. The table below sets out a breakdown, by the size of each tranche, of the wealth management products issued by us.

	Year ended December 31,						Six months ended June 30,	
	2012		2013		2014		2015	
	Number of tranches issued	Aggregate amount	Number of tranches issued	Aggregate amount	Number of tranches issued	Aggregate amount	Number of tranches issued	Aggregate amount
	(amounts in millions of RMB)							
Up to RMB10 million	79	295.4	89	473.5	106	442.7	131	689.0
Over RMB10 million to RMB50 million	32	666.4	114	2,513.7	258	6,939.0	209	5,508.7
Over RMB50 million to RMB100 million	8	576.8	23	1,662.0	81	6,056.3	68	5,171.7
Over RMB100 million to RMB500 million.	1	473.4	16	2,670.5	88	18,278.9	64	13,072.6
Over RMB500 million	—	—	—	—	2	1,585.2	6	4,860.0
Total	**120**	**2,012.0**	**242**	**7,319.7**	**535**	**33,302.1**	**478**	**29,302.0**

We classify the wealth management products we issue into five categories based on their risk levels according to the Measures for the Administration of the Sale of Wealth Management Products by Commercial Banks (《商業銀行理財產品銷售管理辦法》) (CBRC Order [2011] No.5) issued by the CBRC in 2011. Our wealth management products issued in 2012, 2013 and 2014 were all classified as risk level 1 (principal-guaranteed) or risk level 2 (non-principal-guaranteed but with relatively low probability of default of the principal and the receipt of expected yield subject to uncertainty). In the six months ended June 30, 2015, the transaction volume of our wealth management products classified as risk level 1 and risk level 2 was RMB19,834.1 million and RMB9,467.9 million, respectively, representing 67.7% and 32.3%, respectively, of our total transaction volume of wealth management products issued in the period.

The proceeds received from our wealth management products are mainly invested in interbank deposits, bonds and debt instruments issued by non-financial institutions. The following table sets forth the breakdown of the balance of our wealth management products by type of investment as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(amounts in millions of RMB)							
Interbank deposits	—	—	3,728.6	99.3%	8,882.9	46.4%	10,540.5	30.9%
Bonds	308.1	34.7%	24.9	0.7%	6,694.9	34.9%	14,457.0	42.4%
Debt instruments issued by non-financial institutions	580.0	65.3%	—	—	3,589.5	18.7%	9,132.4	26.7%
Total	**888.1**	**100.0%**	**3,753.5**	**100.0%**	**19,167.3**	**100.0%**	**34,129.9**	**100.0%**

The following table sets forth the balance of our wealth management products and the breakdown of principal-guaranteed and non-principal guaranteed product categories as of the dates indicated.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB million)			
Principal-guaranteed category[(1)]	308.1	3,753.5	14,239.5	23,206.9
Non-principal guaranteed category	580.0	—	4,927.8	10,923.0
Total balance of wealth management products[(1)]	**888.1**	**3,753.5**	**19,167.3**	**34,129.9**

Note:

(1) Comprised of certain amounts, such as structured deposits, that are not included in "wealth management funds" in Note 38 to our consolidated financial information included in the Accountants' Report as set out in Appendix I to this prospectus.

During the Track Record Period, we issued wealth management products with terms ranging from one month to two years. In principle, we keep the maturity of our wealth management products the same as that of the underlying investments.

In accordance with the requirements of the CBRC, we manage each of our wealth management products independently through separate accounts and book keeping, with each of our wealth management products earmarked for its underlying investment. During the Track Record Period and as of the Latest Practicable Date, all wealth management products issued by us had been under normal operation, the payment of principal and interest had been duly made without any default, and investors of our non-principal protected wealth management products had not sustained any losses.

Bond Underwriting and Distribution

Our bond underwriting and distribution businesses include our underwriting business, under which we subscribe for bonds from primary markets as an underwriting member of the bond underwriting syndicates, and our distribution business, under which we bid for bonds on behalf of other institutions and transfer relevant bond subscription rights to such institutions after we have won the bidding within the required distribution period, or purchase and re-distribute bonds distributed from other institutions. We acted as an underwriter of policy financial bonds issued by China Agricultural Development Bank and China Export and Import Bank.

PRICING

Regulatory Framework

Loans

Prior to July 20, 2013, we were required to charge interest rates on our RMB-denominated loans based on PBOC benchmark rates. For RMB-denominated corporate loans and retail loans, we were not permitted to set interest rates lower than 70% of the relevant PBOC benchmark rate. On July 20, 2013, the PBOC lifted restrictions on interest rates that financial institutions can charge, and abolished the minimum rates for RMB-denominated loans. Based on the new PBOC rules, we may charge interest rates pursuant to commercial terms (excluding personal residential mortgage loans). With respect to interest rates for personal residential mortgage loans, under a notice issued by the State Council, from October 27, 2008, the lowest interest rate we may charge for personal residential mortgage loans is 70% of the PBOC benchmark interest rate of the same term and from April 17, 2010, the lowest interest rate we may charge for housing loans for a second residential property is 110% of the PBOC benchmark lending rate. Since September 30, 2014, for families making a first-time purchase of any ordinary residential property, the minimum down payment ratio is 30% and the minimum interest rate is 70% of the loan benchmark interest rate, as determined by commercial banks based on risk profiles. For families that already have one property with its loan settled, the same policies for a first-time purchaser apply when they apply for loans to purchase an ordinary commercial residential property to improve living conditions. In cities where "purchase restrictions" have not been implemented or have been removed, when families that already have two or more properties with their loan settled apply for loans to purchase another residential property, banks are required to carefully consider and determine the down payment ratio and interest rate based on various factors, such as the borrowers' solvency and credit status. According to the Notice of the PBOC and the CBRC on Issues Concerning the Further Improvement of Differential Housing Credit Policies (《人民銀行銀監會關於進一步完善差別化住房信貸政策有關問題的通知》) issued by the PBOC and the CBRC on September 24, 2015, in cities where the "purchase restrictions" have not been implemented, the minimum down payment ratio for a household that purchases ordinary residential property for the first time with commercial residential property loans has been adjusted to not less than 25%. The local offices of the PBOC and the CBRC shall strengthen communication with the local governments, by following the principles of "guidance by categories and policy implementation by regions", based on a uniform credit policy nationwide and according to the situations of different cities within its jurisdiction, guidance shall be provided on the autonomous mechanism for pricing of interest rate in all provincial and municipal markets by incorporating actual local conditions to determine the minimum down payment ratio for commercial residential property loans on their own.

Deposits

Historically, interest rates on RMB-denominated demand and time deposits are subject to upper limits set by the PBOC based on the benchmark rates prescribed by it. With effect from October 24, 2015, the PBOC ceased to set upper limits of RMB-denominated deposit interest rates for commercial banks and rural cooperative financial institutions.

Intermediary Products and Services

In our intermediary business, we generally determine prices for products and services based on market conditions, except for certain services subject to the PRC government's guideline prices such as the price for basic Renminbi settlement services, which is specified by the CBRC and the NDRC. See "Supervision and Regulation — Pricing of Products and Services — Pricing for Fee- and Commission-based Products and Services".

Pricing of Our Products and Services

Subject to compliance with relevant regulatory requirements as described above, we determine the pricing of our products and services based on our evaluation of risk and return, with reference to market prices. Factors that we consider include our risk exposure, contribution of a particular customer to our business, financing cost and other costs, and the expected risk-adjusted return. We also consider the market environment and the pricing of our competitors for similar products and services.

We have established an internal fund transfer pricing mechanism in order to determine our internal fund transfer pricing taking into account various factors such as the PBOC benchmark rates, market interest levels and trends, the structure of our deposit and loan interest rates and our asset and liability management strategies and goals. We are in the process of refining such mechanism, which we expect to enable us to price our products and services more effectively.

MARKETING

We have adopted a customer-oriented approach in our marketing activities. Our headquarters formulates our overall marketing strategies and business plans and is responsible for coordinating our marketing efforts toward key customers and potential customer groups. Our branches and sub-branches conduct specific marketing activities in their respective regions and collect information from customers, which further enhances our marketing efforts. We closely monitor developing trends in the PRC financial services sector and integrate our market expansion, in-depth business development and branding strategies to continue to develop our target markets and increase our market share and market standing.

We differentiate and sub-divide our different target customer groups, and carry out marketing initiatives to attract customers and cultivate potential customers. We implement relationship-based marketing and precision marketing, seek to attract target customers through a combination of different promotional tools and strive to create value for our customers and increase customer loyalty through a combination of financial products and services. In particular, we have established a separate business department in order to further develop our "Three Smalls" business. See "— Our Principal Business Activities — Retail Banking — Retail Loans — "Three Smalls" Loans".

We carry out promotion of our retail banking products mainly through our outlets and electronic distribution channels. We are committed to enhancing our retail banking brand awareness and promoting our debit card and personal wealth management products and services under our "7777" brand. In addition, we promote our brand/product awareness through advertising on television, broadcasting, the internet, newspapers and outdoor billboards.

DISTRIBUTION NETWORK

We provide our banking services through a variety of distribution channels. As of June 30, 2015, our distribution network consisted of 178 outlets. In addition, we are increasingly promoting the use of electronic banking channels, including online banking, telephone banking, mobile banking, self-service zones and automatic service machines. We believe that our network of outlets and electronic banking channels enables us to render quality services to our customers.

Outlets

As of June 30, 2015, we had a total of 178 outlets, including our headquarters, 12 branches and 165 sub-branches. Of these 178 outlets, 99 were located in Jinzhou, 59 were located in Liaoning Province (other than Jinzhou), 6 were located in Harbin, 8 were located in Tianjin and 6 were located in Beijing. The following table sets forth the number of our outlets by location as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
Region	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Northeastern China								
Jinzhou	94	63.5%	94	60.3%	99	57.2%	99	55.6%
Liaoning Province (other than Jinzhou)	41	27.7%	45	28.8%	55	31.8%	59	33.1%
Harbin	4	2.7%	5	3.2%	6	3.5%	6	3.4%
Subtotal	139	93.9%	144	92.3%	160	92.5%	164	92.1%
Tianjin	7	4.7%	8	5.1%	8	4.6%	8	4.5%
Beijing	2	1.4%	4	2.6%	5	2.9%	6	3.4%
Total	**148**	**100.0%**	**156**	**100.0%**	**173**	**100.0%**	**178**	**100.0%**

In addition, we hold controlling equity interests in four village and township banks, namely Taihe Yimin Village and Township Bank, Yixian Xianghe Village and Township Bank, Beizhen Yimin Village and Township Bank and Liaoning Heishan Jinhang Village and Township Bank, all located in Liaoning Province. These banks provide deposit and loan services to local customers in their respective villages and towns. None of these village and township banks made significant contribution to our results of operations during the Track Record Period.

Electronic Banking

We offer electronic banking services 24 hours a day, seven days a week through self-service banking, online banking, telephone banking and mobile phone banking. We intend to promote the increased use of our electronic banking services by expanding our product offerings and enhancing the functionality of services.

Self-Service Banking

In an effort to provide banking convenience to customers and reduce operating costs, we have been increasing our investment in self-service zones and automatic service machines (including ATMs, Cash Recycling Systems and multi-media inquiry machines). As of June 30, 2015, we had a total of 5 self-service outlets and 78 self-service zones with 386 automatic service machines. Some of these automatic service machines were located in self-service outlets and self-service zones, and others were located in shopping malls, main streets, hotel lobbies, supermarkets, large residential areas, hospitals and universities in order to support our business and provide convenient access to our customers.

We became a member of China UnionPay in 2002, which operates bank card services, exchanges interbank e-banking information and provides network services in the PRC. Our distribution network was significantly broadened by allowing our customers to use any self-service machine within the China UnionPay network in the PRC and overseas.

Online Banking

We offer various customer-oriented corporate and personal online banking services through our online banking platform **www.jinzhoubank.com**. Our corporate online banking services mainly include account inquiry, transfer, remittance and salary payment. Our personal online banking services primarily include account management, money transfer and remittance, fee payment, wealth management, retail loan payment and credit cards. As of June 30, 2015, we had over 161,000 online banking customers, including over 14,000 corporate customers and over 147,000 retail customers. In the six months ended June 30, 2015, our corporate customers conducted a total of 0.8 million online banking transactions with an aggregate amount of RMB502.2 billion; our retail customers conducted a total of 1.2 million online banking transactions with an aggregate amount of RMB74.9 billion.

Telephone Banking

We offer telephone banking services through our national customer service hotline "40066-96178". Customers may access an automated voice system, through which they can speak to our customer service representatives. Our services include information inquiry, account inquiry and management, lost banking card emergency reporting, money transfer, bill payment, as well as handling customer complaints and recommendations. As of June 30, 2015, we had over 35,000 contracted telephone banking customers, most of whom were retail customers.

Mobile Banking

We provide mobile banking services to our retail customers, which mainly include account management, account inquiry, money transfer, bill payment and wealth management. As of June 30, 2015, we had over 67,000 mobile banking contracted customers.

SMS Banking

We provide financial messaging services for our SMS banking contracted customers, which mainly includes notification services upon changes in account balance. As of June 30, 2015, we had over 302,000 SMS banking contracted customers.

IT

We have established an IT management committee headed by the vice president in charge and comprising heads of our various departments including the IT department, risk and compliance department, internal audit department, retail banking department, corporate business department, international business department and finance management department. The committee is responsible for the strategic planning, standards, safety system and budgeting of our IT development. We have set up the post of Chief Information Officer and formed a three-tier system comprising our IT department, risk and compliance department and internal audit department for the management of IT risks. The IT department in our headquarters is responsible for the overall planning of our IT development, standards, resource allocation, project construction and system operation and maintenance.

System Development

In accordance with our IT strategic planning, we have established an IT system framework focused on customer services. We upgraded and improved our core systems, international settlement system and credit management system and developed new payment channels such as personal and enterprise internet banking, mobile banking app and WeChat banking. We have also adopted various information management systems to support internal management and regulatory reporting, such as profit analysis, statistical analysis, financial management, human resources and performance management and office automation management systems. By the end of 2014, we have completed and supplemented a number of business systems including data storage, credit management, client relationship management, internal rating and financial IC card systems, in order to strengthen our business processing capabilities and efficiency.

We have completed our disaster recovery preparation work comprising three centers located in two locations, and carried out system switch tests. We provide onsite and same-city protection for our important business systems, and additional alternate-location protection for our core system and internet banking system.

Safety Management

We have established an information safety working group headed by the vice president in charge to be responsible for decision-making in relation to information safety and for devising implementation strategies of safety measures. We have adopted IT safety tools such as IT room monitoring, intrusion detection, vulnerability scanning, cyber-attacks prevention, operations and maintenance audits, desktop management, USB-key certification and data white-washing, and IT operational mechanisms such as user management, access control and authorization verification in order to prevent the occurrence of IT safety events.

We endeavor to improve our information safety management system and strengthen the information safety management in key areas. In May 2015, we have obtained the ISO27001 information safety management system international certificate issued by DNV GL.

IT System Operation

In order to enhance the operations and maintenance of our IT system, we have established an operations and maintenance management system to standardize and consolidate our know-how, technology and resources and to support the process management of the operations and maintenance of our IT system. This enables us to implement continuous automatic monitoring and warning alerts on the operations of the hardware and operational systems, thereby improving our fault response speed, IT service quality and risk control capabilities.

We have established contingency management and handling mechanisms in relation to significant, contingent and IT system-related events such as system interruption, suspension in the provision of over-the-counter services and information leakage in order to control associated reputational risks.

COMPETITION

The banking industry in China is becoming increasingly competitive. The principal competitive factors in the banking industry include capital strength, risk management, asset quality, distribution network, customer base, brand recognition, quality and pricing of products and services. We intend to improve our capabilities in the above areas and in particular enhance our ability to provide attentive and expedient services to our customers and adapt to the rapidly developing PRC financial market.

We face competition from other banks and financial institutions that operate in the same areas where we have operations. In Jinzhou, we had the largest market share in the local loan and deposit markets as of December 31, 2014 according to the CBRC, and mainly compete with Large Commercial Banks and Nationwide Joint-stock Commercial Banks. Outside of Jinzhou, we compete with other banks that operate in the same areas, including both domestic and foreign banks.

In addition, we compete with non-bank financial institutions in the provision of financial services. For example, we compete with small-loan companies in offering financing to small and micro enterprises and with insurance companies in attracting customer funds. Non-financial institutions, represented by internet finance, also impose competitive pressure on our business.

Competition between us and foreign financial institutions may be intensified in the future. In particular, the lifting of various restrictions on foreign financial institutions conducting business in the PRC may cause us to lose certain existing competitive advantages over foreign financial institutions in the banking market of Liaoning Province and Northeastern China. We expect to see greater competition from foreign financial institutions in the future. The intensifying competition may have adverse effects on our future business and results of operations. For potential adverse effects of industry competition on our business, see "Risk Factors — Risks Relating to the PRC Banking Industry — We face increasingly intense competition in China's banking industry and other investment and financing channels".

EMPLOYEES

As of June 30, 2015, we had 3,618 full-time employees. The following table sets forth the number of full-time employees by function as of the same date:

As of June 30, 2015	Number of Employees	% of total
Management[(1)]	597	16.5%
Corporate banking	582	16.1%
Retail banking	1,103	30.5%
Treasury operations	23	0.6%
Finance and accounting	775	21.4%
Risk management, internal audit and legal and compliance	88	2.4%
Information Technology	65	1.8%
Others[(2)]	385	10.6%
Total[(3)]	**3,618**	**100.0%**

Notes:

(1) Mainly includes our senior management, general managers, deputy general managers and assistants to general managers of departments of our headquarters, branches and directly affiliated sub-branches; presidents, deputy presidents and presidents' assistants of branches; presidents, deputy presidents and presidents' assistants of sub-branches.

(2) Including staff of departments such as the human resources department and electronic banking department.

(3) The staff above are contract employees on duty, and do not include retirees who received an early retirement package or independent contract workers.

As of June 30, 2015, approximately 67.1% of our full-time employees had bachelor's degrees or above.

We strive to provide our employees with favorable conditions for self-improvement through continuous investment in training resources. We have established an online training platform for our employees in different locations to take training lessons through the internet, based on which we require all our employees to complete a certain number of training sessions each year. We also organize intensive training courses based on our business needs. We cooperated with Bohai University to set up Bohai University Banking Academy in 2013. Undergraduates attending the academy spend two years on campus and two more years as an intern with us, and are recruited by us upon graduation.

We compensate our employees through a comprehensive performance appraisal and incentive and discipline system. In particular, we factor compliance with regulatory and internal requirements into the compensation calculation formula and a non-compliance incident may result in a downward adjustment to the compensation of the employees in the same unit for the following month. We provide benefits to our employees in accordance with PRC laws and regulations on pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund.

We have not experienced any strikes or other material labor disturbances that have affected our operations. Our management, the labor union and our employees have maintained good relationships.

In addition to full-time employees, as of June 30, 2015, we also had 1,358 contractors from third-party human resources agencies. These contractors are not our employees and enter into employment contracts with third-party human resources agencies. They generally hold non— key positions with us, such as bank teller and customer service officer positions. We offer employee positions to outstanding contractors annually based on the performance of these contractors and their business units.

PROPERTIES

Our head office is located at No. 68, Keji Road, Songshanxin District, Jinzhou City, Liaoning Province, China. As of the Latest Practicable Date, we owned and occupied 466 properties with an aggregate GFA of approximately 322,307 square meters, and leased 66 properties with an aggregate GFA of approximately 44,172 square meters in the PRC.

Property Titles

As of the Latest Practicable Date, we owned and occupied 466 properties with an aggregate GFA of approximately 322,307 square meters in the PRC. These properties were mainly used as our outlets or offices. Among these properties:

- We have obtained the building ownership certificates and corresponding land use rights certificates for 369 properties with a total GFA of approximately 247,699 square meters. Zhong Lun Law Firm, our PRC legal advisor, is of the view that we legally own the title to such properties and the land use rights for the land occupied by such properties, and we have the right to legally occupy, use, transfer, lease, pledge or otherwise dispose of such properties.

- We have obtained the building ownership certificates for six properties with a total GFA of approximately 5,181 square meters (representing approximately 1.6% of the total GFA of the properties we owned and occupied). However, because of various local policies, we have not obtained corresponding land use rights certificates. These properties were mainly used as our outlets or offices. Based on the confirmations and an official notification issued by the local competent authorities of land and resources, Zhong Lun Law Firm, our PRC legal advisor, is of the view that we are the legal owner of the aforesaid properties and have the right to occupy, use and transfer, pledge or otherwise dispose of such properties. However, in the event that the land on which those properties were erected was auctioned or disposed of as a result of any action taken by the land use rights owner, the properties owned by us will also be auctioned or disposed of in conjunction with such land. As a result, we may lose the ownership of such properties, but we are entitled to the proceeds from the auction or disposal of such properties.

- In respect of 42 properties with a total GFA of 31,504 square meters (representing approximately 9.8% of the total GFA of the properties we owned and occupied), we had obtained the building ownership certificates, but had not obtained the relevant land use rights certificates. These properties were mainly used as our outlets or offices. Zhong Lun Law Firm, our PRC legal advisor, is of the view that we legally own such properties and we have the right to occupy and use such properties. However, we should obtain the land use certificates in order to transfer, mortgage or otherwise dispose of such properties according to the Property Law of the PRC (中華人民共和國物權法), the Real Estate Administration Law of the PRC (中華人民共和國房地產管理法), the Land Registration Measures (土地登記辦法) and other relevant PRC laws. In the event that the land on which those properties were erected was auctioned or disposed of as a result of any action taken by the land use rights owner, the properties owned by us will also be auctioned or disposed of in conjunction with such land. As a result, we may lose the ownership of such properties, but we are entitled to the proceeds from the auction or disposal of such properties.

- We purchased 49 properties with a total GFA of 37,923 square meters (representing approximately 11.8% of the total GFA of the properties we owned and occupied) to use as outlets, staff dormitories and offices. We had made payments for these properties, and these properties have been delivered to us, but we have not obtained the relevant building ownership certificates and land use rights certificates. Zhong Lun Law Firm, our PRC legal advisor, is of the view that the relevant property sale and purchase contracts are legal and binding upon the sellers and us, according to which we may request the seller to assist us in obtaining the relevant title certificates.

As of the Latest Practicable Date, we had not experienced any material adverse effect on our business operations as a result of the above-mentioned properties with title defects. Our Directors are of the view that none of the properties with defective title is individually or collectively crucial to our operations, that we can replace the relevant properties, if necessary, with other alternative properties, and that the cost for such replacement will not have a material adverse effect on our operations and financial condition. See “Risk Factors — Risks Relating to Our Business — We have not obtained title certificates to some of the properties we occupy and some of our lessors lack relevant title certificates for properties leased to us, which may materially and adversely affect our right to use such properties”.

As of June 30, 2015, the net book value of our interests in properties (including premises and investment properties) was approximately RMB4,635.1 million, representing 1.5% of our total assets. As a result, we are exempted from compliance with the requirement to include a property valuation report in this prospectus under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Pursuant to Rule 5.01A of the Listing Rules, if the book value of the property business and non-property business of a listing applicant are below 1% and 15%, respectively, the prospectus will be exempted from compliance with such requirement. In respect of the requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, similar waivers are also available under section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Leased Properties

As of the Latest Practicable Date, we leased 66 properties with an aggregate GFA of approximately 44,172 square meters in the PRC. Such leased properties are mainly used by us as business premises.

In respect of the aforesaid properties leased by us, lessors of nine properties with a total leasable area of approximately 2,904 square meters did not provide effective title certificates or relevant authorization documents evidencing their rights to lease out the properties, which accounted for 6.6% of the total GFA of our leased properties. Such properties are mainly used as our outlets or offices. We have actively urged the lessors to provide us with relevant title certificates. As of the Latest Practicable Date, we had obtained confirmation from relevant competent housing authority in respect of three of the aforesaid properties that the lessors owns the ownership of the properties and have the right to lease the same, and had obtained undertaking letters issued by the lessors, or agreed in the leasing agreements, in respect of all nine properties confirming, that the lessors shall compensate us for any losses suffered by us if we cannot use the leased properties for the reason of the lessors. Zhong Lun Law Firm, our PRC legal advisor, is of the view that, based on the PRC Property Law (中華人民共和國產權法) and other relevant laws, regulations and judicial interpretations, the lessors do not have the right to lease the aforesaid properties if they do not have the ownership of the properties. In this case, if any third party raises an objection toward the validity of a lease, it may affect our ability to continue leasing such property, but we may still raise claims against the lessor based on the specific leasing contracts or the written confirmation provided by the lessor.

In respect of the aforesaid properties leased by us, we have not completed the lease registration procedures for 36 properties with an aggregate GFA of approximately 27,330 square meters. Zhong Lun Law Firm, our PRC legal advisor, is of the view that according to the relevant judicial interpretations, the non-registration of the leasing contracts for leased properties will not affect the validity of such leasing contracts but we may be exposed to penalties by the relevant PRC authorities as a result of such non-registration. According to the Administration Rules on Tenancy of Commodity Housing (商品房屋租賃管理辦法), the relevant competent authority has the right to order us to make corrections within a specified timeframe for any non-registration of leasing contracts, and we may be subject to a fine of more than RMB1,000 and less than RMB10,000 imposed by the relevant competent authority for any delay in making such corrections. In the past three years, we were not subject to administrative penalties by the housing administrative authorities for non-registration of leasing contracts. We were involved in a litigation in respect of a leased property as the plaintiff and required the court to determine that the notice issued by a lessor to terminate a leasing contract was invalid. The property is approximately 1,479 square meters in GFA, representing 3.3% of the total area of properties leased by us. It is located in Dandong city of Liaoning Province and has been used as the business premises for a sub-branch of our Bank. As of the Latest Practicable Date, we had won the trial of first instance and the litigation was in the process of the trial of second instance. We may need to move out of this leased property if we lose the litigation. We are of the view that this litigation will not have a material and adverse impact on our operations and financial condition.

Our Directors are of the view that, if the defective titles to the leased properties or the non-registration of the leasing contracts prevents us from continuing the relevant leases and necessitate the relocation of our relevant branches, the branches can find alternative business premises which are legally rentable in the relevant regions. Such relocation will not have any material adverse effect on our operations and financial condition.

Properties to be Acquired

As of the Latest Practicable Date, we had entered into sale and purchase contracts, and made payments under these contracts, to purchase 25 properties with an aggregate GFA of 13,046 square meters for intended uses as outlets and offices. As of the Latest Practicable Date, these properties had not been completed and the relevant building ownership certificates or land use rights certificates has not been transferred to us. As advised by Zhong Lun Law Firm, our PRC legal advisor, the relevant property sale and purchase contracts are binding upon the sellers and us, according to which we may request the seller to assist us in obtaining the relevant title certificates.

INTELLECTUAL PROPERTY RIGHTS

We conduct our business under the names of "Bank of Jinzhou" and "錦州銀行". We own a total of 50 PRC registered trademarks and two Hong Kong registered trademarks. We have applied for registration of three additional trademarks in the PRC. We are also the registered owner of the domain name of our website "jinzhoubank.com". See "Appendix VII — Statutory and General Information — 3. Further Information about Our Business — B. Intellectual Property Rights".

LEGAL AND REGULATORY MATTERS

License Requirements

Zhong Lun Law Firm, our PRC legal advisor, is of the view that, as of the Latest Practicable Date, we had obtained the necessary business qualifications required for our business operations stated in this prospectus.

Litigation

We are involved in legal disputes in the ordinary course of our business, which mainly include legal proceedings brought by us against borrowers for the recovery of loans. As of the Latest Practicable Date, we were involved in 52 pending lawsuits as plaintiff with claims over RMB10 million, of which the total principal amount involved was approximately RMB1,746.64 million.

Moreover, we were involved in one pending lawsuit as defendant with claims over RMB10 million, of which the total principal was RMB13 million. We do not expect these lawsuits, either individually or collectively, to materially and adversely affect our business, financial condition or results of operations, even if the relevant court decisions are unfavorable to us.

In addition, as of the Latest Practicable Date, we were also involved in a shareholding dispute litigation as a defendant. In April 2012, Liaoning Huaqiao Group Company (遼寧華僑集團公司, "**Huaqiao Group**") brought a lawsuit in the Liaoning Provincial Higher People's Court (the "**Court**") against Liaoning Huaqiao Group Co., Ltd. (遼寧華僑集團有限公司, "**Huaqiao Company**") and State-owned No. 777 Factory (國營七七七總廠, "**777 Factory**") on the ground that Huaqiao Company transferred 10.5 million shares of our Bank held by it (the "**Transferred Equity**") to 777 Factory in 2000 (the "**Equity Transfer**") without the knowledge of Huaqiao Group and requested the court to deliver a verdict that the equity transfer agreement entered into between Huaqiao Company and 777 Factory in 2000 (the "**Equity Transfer Agreement**") was void and that the Transferred Equity, which was originally held by Huaqiao Group, acquired by 777 Factory was invalid and should be returned along with cash dividends declared in previous years. Such Transferred Equity represented approximately 9.16% of our total share capital as of the end of 2000 and 0.24% of our total share capital as of the Latest Practicable Date due to subsequent dilutions through capital increases.

In July 2012, Huaqiao Group applied to the Court to add our Bank as a joint defendant of the above case. In August 2012, in view of the fact that the Transferred Equity has been further transferred by a court auction to an unrelated party, rendering Huaqiao Group practically unable to obtain the Transferred Equity, Huaqiao Group applied to the Court for additional claims and requested the Court to (i) order us to issue 12-year term warrants with an exercise price of RMB1.00 per share, convertible into such numbers of shares equalling 9.16% of our total share capital in August 2012, to it and (ii) order 777 Factory and us to jointly indemnify Huaqiao Group in the amount of RMB103.9 million plus 9.16% of our profit recorded in our respective financial statements from 2010 to the effective date of the judgment, which equals approximately RMB595.2 million as of December 31, 2014 based on our audited financial statements under the PRC GAAP. Hypothetically, if we were ordered by the Court to issue warrants to Huaqiao Group as it requested, based on our total number of shares of approximately 3,902.2 million as of August 2012, we would be obliged to issue warrants convertible into approximately 357.4 million shares, which would represent approximately 7.5% of our enlarged total share capital as of the Latest Practicable Date after the hypothetical issue and full exercise of the warrants, rendering Huaqiao Group our single largest shareholder. As of the Latest Practicable Date, the aforesaid litigation had substantially completed the trial process and was awaiting the court's judgment. Given that both parties would have the right to appeal within 15 days after receiving the court's judgment according to the PRC Civil Procedural Law, we were not able to estimate accurately as of the Latest Practicable Date when the litigation would be finally concluded.

Liaoning Min Ju Law Firm (遼寧民聚律師事務所), our legal advisor in this litigation, is of the view that, based on the evidence currently available, the likelihood of us losing this shareholding dispute litigation is low, for the following reasons:

(i) according to the PRC General Rules of Civil Law, the statute of limitation for this shareholding dispute litigation should be two years starting from when Huaqiao Group knew or should have known of the infringement of its rights. Based on the inheritance relationship between Huaqiao Group and Huaqiao Company as detailed in (iii) below and the hand-written authorization by the legal representative and actual controller of both entities dated December 2000 as detailed in (iv) below, Huaqiao Group knew of the Equity Transfer in 2000 and has not raised any claim until 2012. Therefore, the legal proceedings brought by Huaqiao Group was time-barred under PRC law;

(ii) the claim to request us to indemnify Huaqiao Group lacks legal and factual basis by reason that our Bank, whose equity was the subject matter of the Equity Transfer, merely facilitated the then shareholder of our Bank to fulfill procedures relating to the Equity Transfer required by applicable laws. In December 2000, (i) Huaqiao Company and 777 Factory entered into the Equity Transfer Agreement; (ii) our then Board, after which our then shareholder representatives, reviewed the Equity Transfer Agreement and application letters from the transferor and the transferee and approved the Equity Transfer, respectively; (iii) we then submitted the relevant documentation to the PBOC in compliance with the PBOC's document requests, followed by the PBOC's approval of the Equity Transfer by a Reply on the Transfer of Equity in Jinzhou Commercial Bank (Shen Yin Fu Zi [2000]340); (iv) we then applied to the Administration for Industry and Commerce of Liaoning with respect to the change of a shareholder after the issuance of a capital verification report by a local accounting firm, followed by the Administration for Industry and Commerce of Liaoning's approval of such application. In addition, as instructed by Huaqiao Group, the consideration paid by 777 Factory under the Equity Transfer was paid by 777 Factory to our Bank and was used to offset the loans owed by Huaqiao Group to our Bank. Our Bank completed the relevant procedures with the knowledge of the inheritance relationship between Huaqiao Group and Huaqiao Company as detailed in (iii) below and after reviewing the hand-written authorization by the legal representative and actual controller of both entities dated December 2000 as detailed in (iv) below. Therefore, we did not, and there was no evidence to suggest that we did, act in bad faith or conspire with 777 Factory in the Equity Transfer as claimed by Huaqiao Group;

(iii) a significant amount of evidence proves that Huaqiao Company was in essence an entity formed through a restructuring of Huaqiao Group and had an inheritance relationship with Huaqiao Group. Huaqiao Group, previously attached to the Federation of Returned Overseas Chinese, Liaoning Province (遼寧省歸國華僑聯合會, "**FROCLP**"), applied to FROCLP in July 1999 to terminate the attachment and change its name to Huaqiao Company. FROCLP approved such application in July 1999. The application was also copied to SAIC Liaoning branch. In the incorporation application of Huaqiao Company to SAIC Liaoning branch in July 1999, the then proposed shareholders of Huaqiao Company applied to restructure Huaqiao Group into Huaqiao Company and de-register Huaqiao Group. Since its incorporation in July 1999, Huaqiao Company used the same staff, premises and telephone number as Huaqiao Group and has taken over the business of Huaqiao Group in various aspects, including the provision of security using assets registered under Huaqiao Group, the engagement in Huaqiao Group's litigation proceedings and the handling of the Equity Transfer. In August 2000, Huaqiao Group's business license was revoked by SAIC Jinzhou branch and the corporate seal of Huaqiao Group should no longer be used according to PRC law; and

(iv) The legal representative and actual controller of both companies at the time of the Equity Transfer was Mr. Tang Yun. Mr. Tang Yun had issued a handwritten letter authorizing the Equity Transfer with his signature dated December 2000. Therefore, the Equity Transfer was in accordance with the expression of the true intention of Huaqiao Group. Furthermore, the Equity Transfer Agreement was properly executed by the affixation of the corporate seals of both Huaqiao Company, which inherited Huaqiao Group, and 777 Factory. Therefore, the Equity Transfer was completely legal and valid.

Further, Liaoning Min Ju Law Firm is of the view that, even if, in the unlikely case, we lost the shareholding dispute litigation, the likelihood of the Court supporting Huaqiao Group's requests in full would be very low, for the following reasons:

(i) the Transferred Equity represented approximately 9.16% of our share capital at the time of the Equity Transfer back in 2000. However, due to subsequent increases in our share capital, such Transferred Equity represented only approximately 0.27% of our share capital in August 2012, when Huaqiao Group applied to add us as a defendant of the litigation. The claim to request us to issue warrants convertible into 9.16% of our total share capital in August 2012 is not reasonable. As of the Latest Practicable Date, such percentage had further decreased to approximately 0.24% as a result of further increases in our share capital;

(ii) even if we were found liable for the alleged wrongful transfer of equity, no Chinese law specifically demands the issue of warrants as a remedy. Further, as confirmed by CBRC Jinzhou Branch, (i) it had not received any rules governing the issue of warrants by commercial banks; (ii) it had not in practice approved such issue of warrants; and (iii) in accordance with Chinese law, it would not accept any application by banks under its supervision for the issue of warrants; and

(iii) we did not declare all our net profits as dividends every year since 2010, but instead retained part of our profits to sustain and enhance our working capital for operations in subsequent years. Huaqiao Group's claim to 9.16% of all our annual profits since 2010 is apparently not justifiable.

Zhong Lun Law Firm, our PRC legal advisor, and Haiwen & Partners, the PRC legal advisor to the Sole Sponsor and the Underwriters, both engaged for the purpose of the Global Offering, agree that (i) the likelihood of our losing this shareholding dispute litigation is low; and (ii) even if, in the unlikely case, we lose the shareholding dispute litigation, the likelihood of the Court supporting Huaqiao Group's request in full would be very low. Such views of Zhong Lun Law Firm and Haiwen & Partners are based on (i) the information provided by us; (ii) the information provided by, and interviews with, Liaoning Min Ju Law Firm; and (iii) the understanding of Zhong Lun Law Firm and Haiwen & Partners of PRC substantive laws including the PRC Company Law, the PRC Contract Law, the PRC General Code of Civil Law and other relevant laws and regulations applicable to the sequence of events leading to the aforesaid litigation. In addition, such views of Zhong Lun Law Firm and Haiwen & Partners are subject to the fact that neither of them has been engaged by us to act for us in this shareholding dispute litigation and neither of them has participated in the litigation process. Therefore, neither of them would be able to assume any responsibility with respect to the progress of the litigation or its ultimate result.

Based on the views of Liaoning Min Ju Law Firm, our Directors are of the view that the claims made by Huaqiao Group are unlikely to be supported by the Court and this shareholding dispute litigation is unlikely to result in a substantial dilution to our shareholders' interests in our Bank. Based on our assessment of the likelihood of our losing the litigation, we have not made any provision for this shareholding dispute litigation. See "Risk Factors — Risks Relating to Our Business — We are involved in a shareholding dispute litigation and may be materially and adversely affected if the court judgment is unfavorable to us and, in such event, shareholders' shareholdings in us may be diluted".

Based on the views of Liaoning Min Ju Law Firm, the Directors of our Bank are of the view that the shareholding dispute litigation is unlikely to have any material adverse impact on our Bank's reputation, business operations or financial position. The Sole Sponsor concurred with the Directors' view.

As of the Latest Practicable Date, none of our Directors, supervisors and senior management were involved in any litigation, arbitration or administrative action of material importance.

Regulatory Inspections and Proceedings

We are subject to inspections and reviews by PBOC, CBRC, CSRC, CIRC, MOF, NAO, SAFE, SAIC and SAT and other regulatory authorities and their respective local bodies in the PRC. These inspections and reviews have not identified any major risk or non-compliance events in us but identified some deficiencies in our business operations, risk management and internal control, details of which are set out below. Although these situations have not had any material adverse impact on our business, financial position and operating results, we have taken improvement and remedial measures to prevent similar events from occurring again.

Administrative Penalties

We had been subjected to administrative penalties as a result of the relevant inspections and reviews, mainly in the form of fines. During the Track Record Period and as of the Latest Practicable Date, the details of the penalties imposed by the relevant regulatory authorities on us are as follows:

- In April 2015, PBOC Dalian branch imposed a fine of RMB300,000 on our Dalian branch and a fine of RMB10,000 on the individual responsible for the management of our Dalian branch for certain non-compliance incidents in its customer identification, large-amount transactions reporting, suspicious transactions reporting and customer identification data and transaction record storage.

- In March 2015, CBRC Dalian branch imposed a fine of RMB200,000 on our Dalian branch for its charging intermediary business fees in three transactions without setting out standards for charging such fees in our Business Charge Standards. Our Dalian branch charged a total of RMB883,700 in these three transactions.

- In 2014 and 2015, due to (i) our failure to deposit sufficient deposit reserves on a certain date; (ii) our non-compliance incidents in account operations that resulted in the delay of transmissions of fiscal funds and budgeted income; (iii) certain incidents of non-compliance with counterfeit money collection and damaged or soiled money replacement procedures; (iv) our failure to timely and accurately submit personal credit information to the personal credit database, various branches of the PBOC ordered certain branches of ours to correct their non-compliant acts and imposed fines with a total amount of RMB295,367.33.

- In December 2014, due to (i) the incorrect reporting of international income and expenses statistics; (ii) our failure to endorse the payment of foreign exchange for the original copy of an import license; (iii) the affixing of receipt for an individual to deposit foreign currency in cash business, which was not standardized; and (iv) the omission of figures of domestic foreign currency loans business, the SAFE Liaoning Branch ordered and warned our Bank to correct our non-compliant acts, and imposed a fine of RMB180,000.

- In September 2014, Beijing Dongcheng Commission of Development and Reform (北京市東城區發展和改革委員會) ordered our Beijing branch to correct its non-compliant pricing activity of deferring of registration fees for pledged properties to its loan customers, confiscated its non-compliant gain of RMB22,690 and imposed a fine of RMB22,690.

- In March 2014, a branch of the Dalian Local Taxation Bureau imposed a fine of RMB2,000 on a sub-branch of ours in Dalian for its failure to timely submit tax withholding reporting forms.

- In April 2012, the Bureau of Human Resources and Social Security of Dalian imposed a fine of RMB40,000 on our Dalian branch for the omission of total salary of RMB40,000 in the course of reporting the payable amount of social insurance contributions to the social insurance agency.

We have paid the above fines in full. We have taken and will continue to take the following major steps and measures to rectify the problems highlighted by the PRC regulatory authorities: (i) with regard to problems with clear solutions, we have made rectifications in a timely manner in accordance with the rectification opinions of the PRC regulatory authorities and our rules and regulations; (ii) with regard to problems caused by defects in our systems and procedures, we further regulated our business behavior by rectifying and improving the relevant systems and procedures; (iii) with regard to problems in connection with the poor implementation of systems, we have held the employees who violated rules accountable and issued internal warnings and directions; (iv) with regard to branches which were not inspected by the PRC regulatory authorities, inspected these branches ourselves for problems highlighted by the PRC regulatory authorities to eliminate similar operational risks and manage hidden potential management obstacles; and (v) to prevent such problems from occurring again, we provided additional training to employees, took new measures in risk management and improved our internal control system. Through the above measures, we believe we have remedied the defects identified. As of the Latest Practicable Date, we had not received any objection to our rectification measures or any request for implementing further rectification measures from the regulatory authorities. In addition, our Directors also believe the above penalties (individually or cumulatively) did not result in any material adverse impact on our financial condition or results of operations.

Regulatory Inspection Results

Certain routine or special inspections and reviews carried out by the PRC regulatory authorities have identified that we had deficiencies in aspects of our business operations, risk management and internal controls, details of which are set out below. In respect of these deficiencies, we have submitted the rectification report comprising the major items and content of the rectification to the relevant regulatory authorities and made the rectification. As of the Latest Practicable Date, the relevant regulatory authorities had not raised any objection to the rectification measures set out in the rectification report and adopted by us nor had they requested us to adopt further rectification measures. The major review or inspection results and our major rectification measures are summarized below.

CBRC

The relevant local regulatory offices of CBRC will conduct routine and ad hoc inspections on our operating conditions, including on-site inspections on our branches, sub-branches and other operating bodies. Based on these inspections, the relevant local regulatory bureaus of CBRC will issue inspection reports stating the inspection result and guiding opinions.

During the Track Record Period and as of the Latest Practicable Date, the relevant local regulatory offices of CBRC have conducted various routine and special inspections on us. In 2012, 2013 and 2014 and the six months ended June 30, 2015, we received a total of six, ten, eleven and three CBRC regulatory reports, respectively. These mainly include reports following annual inspections conducted by various local CBRC regulatory offices on our various branches within their jurisdiction, such as reports from Liaoning CBRC in November 2012 and from Jinzhou CBRC in August 2014 following their annual inspections of our headquarters, and reports from Beijing CBRC in May 2012, March 2013 and March 2014 following their annual inspections of our Beijing branch. The reports also include those following inspections on specific areas of our operations, such as the reports from Liaoning CBRC in May 2013 and April 2014 following onsite inspection of IT risks and the reports from Dalian CBRC in September 2012 and August 2014 following inspections on our Dalian branch's operational risks and service charges, respectively.

None of the inspections mentioned above led to any administrative penalties on us. The number of regulatory opinions we receive every year may increase gradually in the future, as the scale of our business continues to grow and we expand our network of outlets and thereby subject us to the jurisdictions of more local CBRC regulatory offices. The major problems and major guiding opinions highlighted in the relevant reports and the major rectification measures adopted by us are set out below.

Major Problems and Major Guiding Opinions	Major Rectification Measures Adopted by Us
Credit risk management	
• Implement a strict credit management system at branches.	• We consolidated our credit policy system and management requirements into process control, strictly reviewed the qualifications of clients and the source and use of funds in entrusted loan business, strengthened internal monitoring and examination, expanded the scope of our internal audit, conducted regular risk screening, revised various credit management policies, systems, procedures and operation rules.
• Control loan concentration and the scale of loans to local governments' financing platforms and industries with excessive production capacities, reinforce management of non-performing loans.	• We lowered the concentration of loans to certain industries, further scaled down loans to local government's financing platforms and industries with excessive production capacity, strictly implemented group credit management, strictly controlled off-balance-sheet business risk, kept the size and growth rate of off-site credit business at a reasonable level.

Major Problems and Major Guiding Opinions	Major Rectification Measures Adopted by Us
• Reinforce management of and control over risks in businesses involving non-standardized financial products and liquidity management.	• We adjusted the size and growth rate of our non-standardized business, strengthened liquidity management, improved our fund position management system, conducted pressure tests and supplemented our risk monitoring model.
• Strengthen our management of interbank business, including credit extension management, transaction background investigation and post investment monitoring.	• We established a separate department in charge of our interbank business and devised relevant rules and procedures, implemented centralized management of our interbank business and strengthened risk control following our own credit extension standards.
• Strengthen the management of off-balance sheet business.	• We strictly implemented procedures of investigation before credit extension, review before loan dispatch and post-dispatch monitoring.
• Strictly implement the review standards and enhance risk management and internal control in bill discounting business.	• We further regulated and optimized the systems relating to bill discounting business, organized trainings on business operation and laws, strictly reviewed the trade background and source of deposit in bill discounting business.
Operation Risk Management	
• Strengthen employee training, reinforce prevention of frontline business operation risks, make full use of internal audit department, improve internal control rules relating to operational risk, and enhance the implementation of the position shifting and mandatory leave system.	• We amended the relevant systems, formulated specific penalties for front-line business operation non-compliance incidents, strengthened the functions of internal control and audit departments, strengthened employee training, strictly implemented the position shifting and mandatory leave system.
• Improve business operation system, reinforce the implementation of basic rules for front-line business, recruit additional employees to achieve centralized reconciliation of accounts at back offices.	• We rectified wrong operation practice, revised relevant system and process, organized training, strengthened management of reconciliation of accounts.

Major Problems and Major Guiding Opinions	Major Rectification Measures Adopted by Us
• Regulate management of internet banking and electronic banking business.	• We improved our submission of related information to regulatory bodies, launched a personal internet banking post-transaction monitoring system, and improved electronic banking business outsourcing management system.
• Further revise and improve fee collection management rules, strengthen management of pricing list.	• We revised fee collection management rules, established and published new pricing list.
Information Technology Risk Management	
• Improve the scalability of information system hardware, further conduct the development of integrated system monitoring methods, information technology risk screening and business continuity management.	• We improved our information system utilization efficiency and planned for a new data center, finished the testing and launch of operation configuration modules for integrated system, improved our information technology risk management system and operation process, strengthened security protection functions of our internet banking system and conducted pressure tests, and conducted a special audit of information technology business continuity.
• Strengthen information security management at branches, purchase additional server room monitoring equipment and environment control equipment, improve network safety management.	• We established new information security positions at our branches, entered into confidentiality agreements with employees holding such positions, purchased additional server room monitoring equipment, established business continuity organization structure and formulated emergency plans for drills.
Corporate Governance	
• Further improve our corporate governance mechanism, determine the boundary of functions and responsibilities of the general meeting, the Board, the Supervisory Committee and senior management.	• We set additional requirements on the application materials for senior management position qualifications and adjusted the scope of functions and responsibilities of certain senior management positions.

Major Problems and Major Guiding Opinions	Major Rectification Measures Adopted by Us
Internal Control	
• Further improve the establishment of internal control mechanism to effectively prevent various risks.	• We revised our internal system, reinforced the implementation of the internal control system, addressed the problems in certain operations and pursued responsibility of liable employees.
Human Resource Management	
• Recruit and retain a team of experienced and talented employees and strengthen employee training.	• We conducted all kinds of day-to-day and centralized training.
• Improve the setting of indicators for performance assessment and management at branches.	• We revised the rules for performance assessment.

As of the Latest Practicable Date, the relevant local regulatory offices of CBRC did not have further opinions on the implementation of regulatory opinions by us and we had not received any notice of being requested to take further measures or being subjected to penalties. The management and risk alerts and guiding opinions of the relevant local regulatory offices of CBRC are conducive to improving or upgrading our risk prevention and management capabilities. These alerts and recommendations did not have any material adverse impact on our business, financial condition or operating results.

PBOC

The relevant local regulatory offices of PBOC will conduct routine and ad hoc inspections on the operating conditions of our Bank, including carrying out on-site inspections on our branches, sub-branches and other operating entities. Based on such inspections, the relevant local regulatory offices of PBOC will issue inspection reports stating the inspection results and guiding opinions.

During the Track Record Period and as of the Latest Practicable Date, the relevant local regulatory offices of PBOC had conducted a number of routine and specific inspections on our Bank. In 2012, 2013, 2014 and the six months ended June 30, 2015, we received a total of seven, five, three and two PBOC regulatory reports, respectively. These reports followed inspections conducted by various local PBOC regulatory offices on our various branches within their jurisdiction on specific areas of our operations, such as the reports from PBOC Tianjin Branch in September 2012 and from PBOC Harbin Central Sub-branch on June 2013 following inspection of anti-money laundry risks at our Tianjin and Harbin branches, respectively, and the reports from PBOC Dalian Central Sub-branch in March 2012 and from PBOC Shenyang Branch in February 2014 following inspections on our payment and settlement operations of our Dalian and Shenyang branches, respectively.

Save as disclosed in "— Administrative Penalties" above, none of the inspections mentioned above led to any administrative penalties on us. The major problems and major guiding opinions highlighted in the relevant reports and the major rectification measures adopted by us are set out below.

Major Problems and Major Guiding Opinions	Major Rectification Measures Adopted by Us
• Strengthen anti-money laundering management, improve the completeness of and promptly update customer identification, and enhance the accuracy of reporting suspicious transactions.	• We have strictly reviewed the account opening certificates, increased the content of application forms, improved relevant systems, optimized our core business system, and increased efforts on training relevant employees.
• Improve the system establishment for credit investigation system management, enhance the safety management and training, and carry out self-inspections.	• The enquiry of credit investigation system has been managed by our designated department. Credit investigation reports should be submitted before granting loans. We have increased the information enquiry for enterprise credit cards and input the power of attorney for enquiry of individual credit investigation. We have strictly managed the authorization of credit investigation enquiries, established authorization processes for the core systems, standardized the registration of enquiry and carried out quarterly self-inspections.
• Strengthen information reporting management of credit information monitoring system for major customers of banks.	• We have formulated and strictly implemented relevant system to ensure timely reporting.
• Enhance the financial information protection mechanism.	• The performance of confidentiality obligations has been included in the scope of performance assessment for employees. We have enhanced the management of departing employees by means of signing confidentiality undertakings with them.
• Strengthen payment and settlement management.	• We have strengthened payment and settlement management of accounting entries and remittances returned, and strictly implemented relevant regulations.

Major Problems and Major Guiding Opinions	Major Rectification Measures Adopted by Us
• Strictly implement the regulations on agency business of national treasury.	• We have set up specific items according to relevant regulations.
• Enhance trainings on cross-border RMB settlement and currency identification.	• We have increased efforts on relevant training.

As of the Latest Practicable Date, the relevant local regulatory offices of PBOC did not have further comments on our implementation of the regulatory opinions, and we did not receive any notice requesting further measures to be taken by us or imposing penalty on us. The risk alert and guiding opinions from the relevant local regulatory offices of PBOC did not have material adverse effects on our business, financial conditions or operating results.

SAFE

The relevant local branches of the SAFE conduct inspection of our foreign exchange business, and express their views and specify inspection results as well as rectification opinions based on the inspection. During the Track Record Period, the relevant local branches of SAFE have conducted inspections of our foreign exchange business and have issued the relevant regulatory reports. We received a total of four regulatory reports during the Track Record Period, which include the report by SAFE Dalian Branch in June 2013 on the international remittance work of our Dalian branch, and the reports by SAFE Heilongjiang Branch in April 2012, April 2013 and March 2014 on the implementation of foreign exchange management regulations by our Harbin branch. They have also provided guidance and made rectification recommendations relating to our foreign exchange business. Save as disclosed in "— Administrative Penalties" above, none of the inspections mentioned above led to any administrative penalties on us. The major problems identified and major guiding opinions made by SAFE and our major rectification measures are as follows:

Major Problems and Major Guiding Opinions	Major Rectification Measures Adopted by Us
Strengthen the implementation of reform policies and measures for foreign exchange management and its major work. Actively give feedback of the implementation of foreign exchange management policies, and further enhance the implementation capability and operational level of the staff in respect of foreign exchange management policies. Strengthen the establishment of internal controls system and supervisory mechanisms.	We have carried out training for special items; strengthened the inspection on the implementation of internal control system and incorporated the implementation results into performance assessment for employees; and carried out inspections on foreign exchange business regularly and irregularly with our focus on the compliance of foreign exchange business as well as data statistics and reporting.

As of the Latest Practical Date, we have not been subject to any penalties for the aforesaid issues or received any notice from the SAFE or its relevant local branches requiring us to take any further remedial measures. According to the inspection results by the relevant local branches of the SAFE, we believe there is no material deficiency in respect of our foreign exchange business and risk management and control which may materially and adversely affect our business, financial condition or results of operations.

Compliance with core indicators

We are required to comply with the various ratios as required by the core indicators (interim) of PBOC. Please see "Supervision and Regulation — Other Operational and Risk Management Ratios" for our compliance with the Core Indictors (Provisional) during the Track Record Period. No penalties have been imposed on us due to non-compliance with the Core Indicators in regulatory checks and reviews.

Compliance with the CBRC Notice on the Pledge of Equity Interests in Commercial Banks

According to the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the "**Notice**") issued by CBRC in November 2013, commercial banks are required to stipulate in their articles of association that, for those shareholders that have pledged 50% or more of their equity interests in the bank, their voting rights at general meetings and the voting rights of directors designated by them at board meetings shall be "subject to restrictions" (the "**Voting Restrictions**"). However, the Notice did not provide clarification or guidance on what restrictions should be imposed or how they should be imposed.

To comply with the Notice, we amended our Articles of Association to include articles on Voting Restrictions, which became effective in November 2014. However, we had not imposed the Voting Restrictions up to and including our annual general meeting held in May 2015 due to the lack of clarification and guidance in the Notice and authoritative interpretation. Since the issue of the Notice and up to the Latest Practicable Date, we had not been notified of any objection or penalties brought against us in this regard by PRC regulatory authorities. In our handling of future Shareholder voting, we intend to comply with the Notice in accordance with the clarification and guidance of regulatory authorities.

We have obtained a letter of confirmation from CBRC Jinzhou branch, which confirmed that: (i) the Voting Restrictions had not been strictly implemented in practice due to potential limitation of legitimate rights of shareholders and the fact that pledges of equity interests had not brought risks to us; (ii) therefore, in accordance with relevant rules, CBRC Jinzhou branch had not penalized or brought regulatory actions against us; and (iii) other than the Voting Restrictions, we had been in compliance with the Notice.

Based on the above letter of confirmation, our Directors are of the view that not imposing the Voting Restrictions in the past will not have a material adverse impact on our business operations. For risks associated with the Notice, see "Risk Factors — Risks relating to Our Business — Our past practice of enforcing voting restrictions according to the CBRC notice on the pledge of equity interests in commercial banks might be challenged by PRC supervisory authorities and our shareholders, including holders of our H Shares, may be subject to voting restrictions due to their pledge of our shares."

In order to ensure our compliance with the Notice, we have adopted internal administrative rules, according to which we have established a shareholder share pledge approval unit (the "**Share Pledge Unit**") comprising of our office of the Board, financial management department, credit review department and legal affairs department. All pledges of our shares by our Shareholders are subject to prior filing with us. For share pledges by Shareholders holding 2% or more of our shares or with the right to propose candidates as our Directors or Supervisors, the filing shall be subject to the review of our Board. Such review shall include a comprehensive risk evaluation on, among others, potential impact of the share pledge on our shareholding structure, corporate governance, regulatory compliance and control of related party transactions. All other shareholder share pledge filings shall be reviewed by the Share Pledge Unit.

Non-compliance incidents by employees

We had detected non-compliance incidents committed by our employees from time to time. The non-compliance incidents committed by our employees included breaches of internal rules of our credit approval procedures, counter operation process and accounting related matters. None of the Directors and senior management officers was involved in these non-compliance incidents. We believe such non-compliance incidents, individually or on overall basis, had not caused any material adverse effects on our business, financial conditions and operating results. During the Track Record Period, we had not discovered any material non-compliance incident in which our employee might be subject to criminal liability.

In the opinions of our Directors, the discoveries made by the regulatory authority and the non-compliance incidents did not reveal the existence of any material deficiencies in the business operations, internal audit, internal controls or risk management of our Bank.

Anti-Money Laundering

No material abnormal money laundering incidents had been identified or reported to the senior management during the Track Record Period. For the details of our anti-money laundering measures, see "Risk Management — Operational Risk Management — Anti-money Laundering (AML)."

OVERVIEW

The primary risks we face include credit risk, market risk, operation risk and liquidity risk. We are also exposed to other risks, such as legal and compliance risk, reputational risk and information technology risk. We have been placing great emphasis on our risk management and are committed to enhancing our risk management capability. For the past few years, we have adopted a series of measures in respect of our risk management policies, systems, operational procedures as well as the construction of information technology, and formulated the relevant management measures in respect of the primary risks of specific businesses.

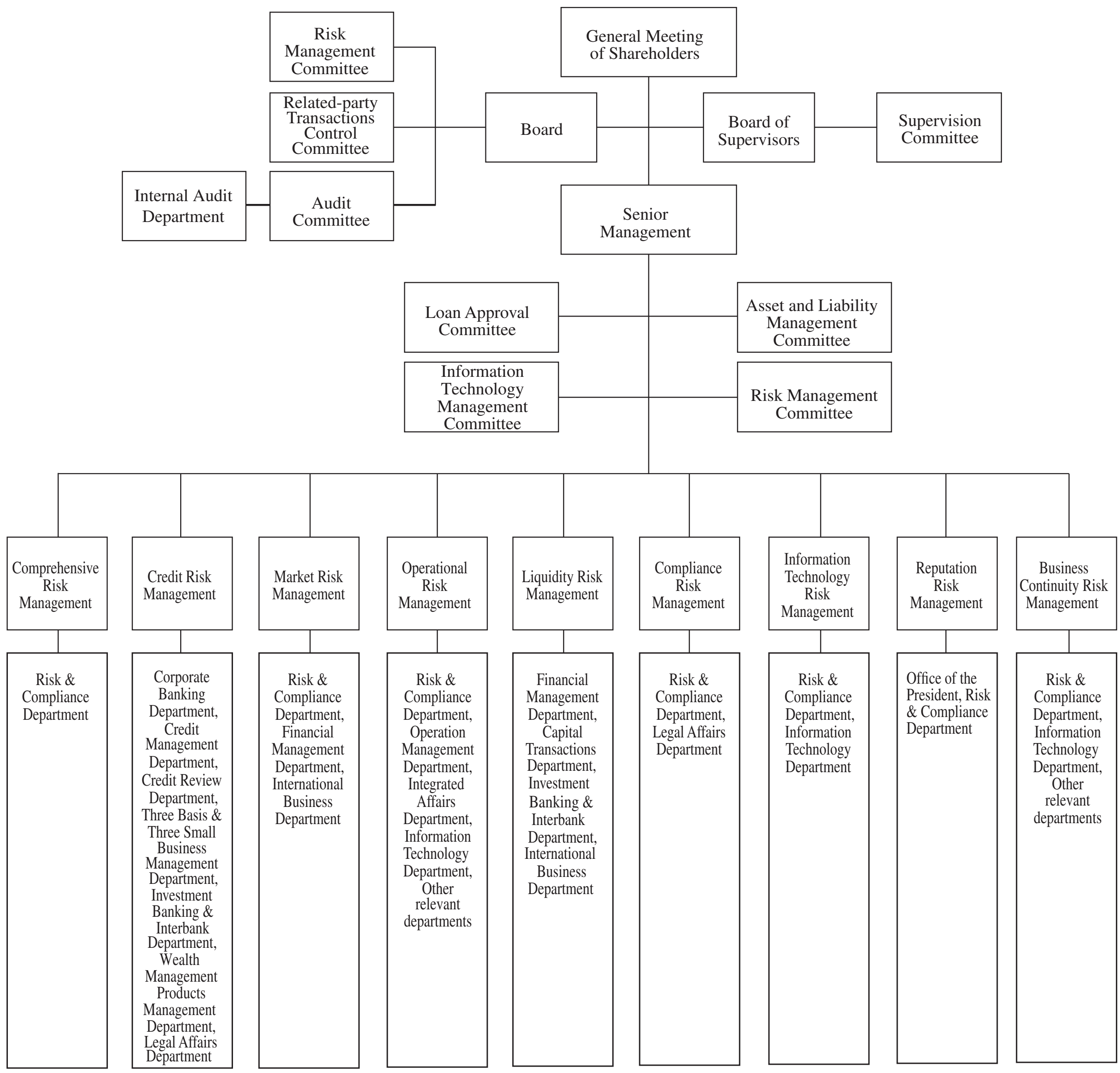
In light of our development stages, we adhere to the principle of comprehensive risk management under capital constraints. With the capital covering risk as a precondition, we keep abreast of risk appetites of different products across different regions with consideration of changes in the macro-economic situation, our business development needs and our actual management in order to enhance our grasping and control of the risk management process on a timely basis.

We consider risks such as credit risk, market risk, operation risk, liquidity risk and legal and compliance risk into our risk management system and put them under the comprehensive management of our Risk and Compliance Department, which enables our risk management to cover our products, businesses and operations and all identifiable risks to be managed by specific personnel, so that all personnel participate in risk management in order to ensure the risk management policy can be implemented uniformly among different departments, businesses and products.

We evaluate the performance of our operating branches based on both business performance indicators and the level of their risk management. We evaluate the performance of our staff based to a larger extent on their performance and take into consideration their performance together with the control of business risk and provide them with medium and long term incentives. This system enables operating branches and business personnel to focus on their long-term development while pursuing short-term benefits as well as proactively understanding and controlling risks in their work.

OUR RISK MANAGEMENT ORGANIZATION SYSTEM

We adopt a vertical and top-down risk management model and have established a sound risk management organization system. We have specifically defined the risk management responsibilities of the Board and special committees, senior management, our risk management department, business operation and other management departments, and we, in light of the different extents of risks and the importance of specific incidents, have established the relevant systems for reporting and feedback between business operation department and management department on the one hand, and risk management department on the other hand, our designated compliance officer and senior management as well as senior management and the Board in order to ensure the coordination and efficiency of our risk management work in terms of assignment of responsibilities and work arrangement.



Board and Special Committees

The Board's responsibilities with respect to risk management mainly include: taking ultimate responsibility for monitoring our management of various risks and ensuring the effective identification, measurement, monitoring and control of various risks to which we are exposed by our business activities are exposed; reviewing and approval of our risk management strategies, policies and procedures; procuring senior management to take necessary actions to identify, measure, monitor and control risks, and obtaining reports of the nature and level of the risks on a regular basis, monitoring and assessing the comprehensiveness and effectiveness of our risk management as well as the performance of duties by our senior management in respect of our risk management. Committees under the Board are as follows:

- Risk Management Committee — the Risk Management Committee under the Board is primarily responsible for, among others, determination of our risk tolerance level; supervision of credit risk, market risk and operation risk control by our senior management; conducting regular assessments of our risk profile and giving advice for improving our risk management and internal controls; making decisions on our overall risk management strategies and determining our overall risk limit; reviewing our asset and liability management policies.

- Related-Party Transactions Control Committee — the Related-Party Transactions Control Committee under the Board is primarily responsible for reviewing our significant related-party transactions in order to control the risks arising from such related-party transactions. Its responsibilities primarily include identifying our related parties and reviewing our related-party transactions based on the business principles of justice and fairness in accordance with the relevant laws and regulations. Members of the Independent Director Committee shall prepare a written report in respect of significant related-party transactions, fairness of particularly significant transactions and performance of our internal approval procedures.

- Audit Committee — the Audit Committee is primarily responsible for, among others, inspecting our accounting policies, financial condition and financial reporting procedures; reviewing our risk and compliance status; taking charge of our annual audit work and preparing a report on the truthfulness, completeness and accuracy of our audited financial reports and submitting the same to the Board for consideration; reviewing our internal control system and conducting audit on our significant related-party transactions.

Senior Management and Committees Thereunder

Our senior management is responsible for periodically reviewing risk management reports prepared by senior management and committee, and monitoring the implementation of our risk management policies and procedures, formulating internal risk management controls, understanding our risk level and the management thereof and ensuring we have sufficient human and financial resources, as well as a sound information system to identify, measure, monitor and control various risks to which we are exposed in our business activities. The Loan Approval Committee under our senior management is responsible for considering various credit business activities including any material credit transactions in accordance with our authorization requirements in respect of our credit business activities. The risk management committee under our senior management is responsible for assisting our senior management in managing our overall risk exposure; reviewing our significant risk management and internal control policies and system; determining our annual risk management targets and plans; monitoring our overall asset risk profile and conducting overall assessments on the risk management and internal controls of respective functional departments; considering and determining the options for handling material abnormalities and exceeding limits in relation to the risk management and internal control during the operations of our operating units and our treasury operations.

Departments in relation to Risk Management at Our Headquarters

Risk and Compliance Department

The Risk and Compliance Department is a core department taking charge of our overall risk and compliance management. It is primarily responsible for formulating, revising and improving our risk and compliance management policies and systems as well as supervising the implementation of such policies; collecting information and analyzing the overall situation and status of our risk management; developing and implementing tools or systems for monitoring, measuring, analyzing and evaluating our risk exposure; taking charge of the construction of our internal controls and cases prevention.

Internal Audit Department

The Internal Audit Department is a separate internal audit department and is accountable to the Board and the Audit Committee under the Board. The Internal Audit Department is specifically responsible for reviewing, assessing and improving our business activities, risk profile, internal controls and corporate governance; ensuring the State's economic and financial regulations and policies are properly implemented; controlling our risks and improving our operations.

Legal Affairs Department

The Legal Affairs Department is responsible for, among others, providing legal opinions on our operation and management decisions; participating in negotiations, drafting and execution of contracts in relation to our significant operation and management activities; taking charge of conducting legal reviews on our business rules and systems; taking charge of legal consultations and contract review; assisting in recovering non-performing loans; taking charge of legal affairs in relation to intellectual property rights; taking charge of litigation management.

Credit Review Department

The Credit Review Department at our headquarters is primarily responsible for the enforcement of our overall credit policies and establishing the scope of our credit business authorisations of our branches; formulating credit granting guidelines; improving and revising the relevant credit review system; reporting any problems and potential risks as identified in the performance of its credit review duties to the relevant departments and providing reasonable suggestions.

Corporate Banking Department

The Corporate Banking Department at our headquarters is responsible for industry research and the marketing of our products and services, whilst managing the training of our customer managers for our overall corporate banking business. It is specifically responsible for organizing market surveys, designing business requirements and key customer service plans; promoting our overall corporate banking business innovation, business rules and management systems; organizing the management of the entry training and the assessment and evaluation of all of our customer managers.

Credit Management Department

The Credit Management Department at our headquarters is responsible for organizing our overall credit files management work; management of credit management system applications; organizing our branches to conduct post-loan monitoring and review of the quality of our customers' assets and collateral; collecting the statistics of and analysing our overall credit business; follow-up monitoring and recovery and transformation of our non-performing assets; customer credit rating management; and review and approval of loans in our credit business within the authority of our headquarters.

Three Basis & Three Smalls Business Management Department

The Three Basis & Three Smalls Business Management Department is responsible for collecting information, administering and analyzing our "Three Smalls" credit business information and data; formulating development plans and marketing strategies; laying down the relevant systems and operational procedures of the "Three Smalls" business; interest rate management, review and approval, assets quality management, risk management, determination of responsibilities, file management of the "Three Smalls" business; product development and innovation, brand planning and promotion; training, management and evaluation of the "Three Smalls" business customer managers; coordination of the "Three Smalls" business, and statistical analysis of the three basis business.

Information Technology Department

The Information Technology Department is our information technology management department. Its specific responsibilities mainly include the planning, development and management of our information technology infrastructure, information systems and information security, and training of our information technology staff; providing protection for our business development and operations.

E-Banking Department

The E-Banking Department is the core department carrying out our e-banking business. Its specific responsibilities mainly include carrying out of our e-banking business in a healthy and orderly manner; establishing and improving our e-banking business risk management system and internal control system; planning and executing the relevant product design, inspection of product functionality and customers' acceptance, conducting market research as well as feasibility studies; statistical analysis of the e-banking business.

OUR RISK MANAGEMENT SYSTEM

Authorization Management System

We grant annual basic authorization, limited level-by-level, in respect of operation management, financial management, human resource management and other affairs management of ordinary and normal business within the statutory business scope in strict compliance with the Measures on Authorization Management of Bank of Jinzhou ("**Authorization Management Measures**"). Meanwhile, we may temporarily grant specific authorization, if necessary, in respect of a particular matter and a special affair which is beyond the basic authorization. While the headquarters grants authorization directly to the authorized persons, each authorized person may, after obtaining approval or making filings as required, re-authorize its internal key business positions within the scope of its authorization.

We grant different authorization according to the relevant authorized persons' operation and management capacities, risk controls, implementation of the authorization system as well as employment status of key officers and adjust authorization where required. In respect of business and affairs which are beyond the authorized scope, they shall be reported to the relevant approver with authorization or approval authorities for approval and decision in strict compliance with the requirements under the Authorization Management Measures.

Credit Management System

Our credit management system mainly comprises the following:

(1) **Uniform credit management on all credit customers** — Pursuant to the Guidelines for Implementation of Uniform Credit System by Commercial Banks (trial) promulgated by the People's Bank of China, we have formulated the Implementation Rules of Uniform Credit of Bank of Jinzhou, which provide that we must determine the credit limit of a customer who will obtain credit from us, then each of our branches may grant credit to it within such credit limit.

(2) **Focusing on strengthening the uniform credit management on group customers** — In order to strengthen the effective identification and control of concentration risk of our group customers, being customers which are members of a corporate group, we have formulated the Administrative Measures of Granting Credit to Group Customers of Bank of Jinzhou in accordance with the Guidelines for Risk Management on Granting Credit to Group Customers of Commercial Banks promulgated by the CBRC, pursuant to which we shall strictly control the credit limit for a single group customer at a level not exceeding 15% of our net capital. We uniformly determine the limit of overall credit granted to a customer and implement the hosting bank management system in respect of our customer management to prevent parallel credit extension from multiple outlets. The corporate business department at our headquarters is responsible for the uniform management of all of group customers and their related enterprises and we conduct two-way controls, being overall credit granted to a group and separate credit granted to members of such group.

(3) **Credit investigation and credit review separation system** — The responsibilities of our credit investigation, analysis and assessment, and decision are assumed by different departments or staff. We strictly execute the credit authorization and business approval process in force at the time in order to ensure each step of our credit business process is separate and mutually constrained.

- Practically adhering to the principle of "credit investigation and credit review separation" and implementing credit investigation and credit review separation for our credit business.

- Continuously improving the collective credit review system. Our credit review committee is the decision-making body of the credit business. Our president has veto power. Other bodies under the committee review and approve credit business within their respective approval authority. Authorized approval officers review and approve credit business within the approval authority granted by our headquarters.

- Improving the loan review system. Our Credit Management Department has the function of loan disbursement review, is responsible for the uniform management of the disbursement of credit business, reviews the disbursement procedures and requirements of the credit business subject to the reviews by the Credit Management Department at our headquarters or the Risk Management Departments at our branches and is responsible for the completeness, compliance and apparent truthfulness of the information as required for the loan disbursement; improving the various requirements of the credit business and reporting to business and management departments on a regular basis. Each branch and sub-branch designates someone to perform the loan disbursement duties with respect to the implementation of credit requirements and loan disbursement requirements of the credit business as reviewed within the approval authority at its level. The Risk and Compliance Department and Internal Audit Department are responsible for monitoring and supervision.

- Specifying the responsibilities and duties of the credit-related posts. In accordance with the credit process and post responsibility system, we set detailed due diligence requirements for posts and staff in relation to credit acceptance, customer investigation, analysis and assessment, credit decisions and implementation thereof, post-loan management, handling of defective credit and due diligence on credit work and specify the responsibilities and duties of posts in the form of a system.

In addition, our internal audit function is an integral part of our risk management system. See the internal control in this section for details.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a customer or counterparty may be unable to or unwilling to meet its contractual obligations. The core to our credit risk management system mainly includes the formulation of credit policies; pre-credit due diligence; customer credit rating; collateral assessment; loan review and approval; loan disbursement management; post-loan management; non-performing loan management; and accountability. We adopt the same credit risk management control procedures for on and off- balance credit business.

Our Risk and Compliance Department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of our credit risk management system, gives advice for the improvement of our credit risk management system and develops and maintains the rating and limit tools. Our Credit Management Department is responsible for the credit system review and the determination of five-category loan assets. Our Credit Review Department is in charge of the improvement of our credit review system and operating procedures, formulation of limit management and performance of duties as the secretary to the Loan Approval Committee at our headquarters.

All of our credit business activities must be carried out according to the guiding opinions on the credit business. The Credit Review Department prepares the guiding opinions on the credit business annually and submits the same to the office of the Board meeting for discussion and approval after being considered by the Risk Management Committee. The guiding opinions on the credit business mainly set loan distribution target, the principles for the reclassification of existing customers and approval to newly-developed customers, main types of loans, major customers selection and policies on loan distribution by industry. The main factors that we take into consideration when formulating the guiding opinions on the credit business include, among others, our judgment on the economic situation of the current year, our overall loan asset target, interbank credit business policies and our risk appetite and financial condition. If significant events occur such as adjustments to national policies, we will make adjustments to our guiding opinions on the credit business on a timely basis.

With respect to the credit risk control and management, we specify the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and credit limit and review separation. We have also improved the credit review procedures of our branches. We have formulated the Rules of Credit Review Meeting of Bank of Jinzhou (《錦州銀行貸款審批會議規程》), a rule of Loan Approval Committee, and established the operating mechanism of our Credit Review Committee under the collective review system.

Moreover, we have also established a credit due diligence and accountability system. Our established position-based accountability system specifies the due diligence requirements for credit business investigation, analysis and assessment, credit decisions and implementation, post-loan management and handling of problematic credit extension. The Accountability System of Bank of Jinzhou (《錦州銀行貸款責任追究制度》) provides for, among others, the basic principles, organization and management and scope of the determination of responsibilities for the credit business, person in charge and its responsibility, procedures and requirements of credit due diligence, responsibility review and determination as well as accountability. The credit management system and measures formulated by us also include the Provisions on Corporate Post-Loan Management of Bank of Jinzhou, the Measures on Management of Non-performing Loans of Bank of Jinzhou, the Measures on Management of Bank Acceptance of Bank of Jinzhou and various measures on the management of the credit business and products.

Pre-credit Review

We conduct pre-credit review under a policy of conducting a two-person investigation and review. A pre-credit review is generally carried out by a primary reviewer and an assistant reviewer at a branch or sub-branch. We conduct pre-credit review and customer information verification through both on-site visits and circumstantial investigations. When necessary, we also engage external credit agency to verify the truthfulness of customer information.

We conduct a pre-credit review to collect basic applicant information such as the basic information of the applicant's lawful operations, shareholders and management, industry, growth prospects and business of the applicant; analyze the use of the loan proceeds and funding sources for repayment; study the applicant's financial statements, cash flows and request additional supporting information (such as bank deposit details evidence of tax payments and utilities bills) from the applicant if we believe that the financial data collected does not fully reflect the applicant's objective conditions; we assess the creditworthiness and ethics level of the applicant and its management, its loan repayment history and its ability to fulfill contractual obligations; we also review the collateral provided by the applicant; and examine the loan application pursuant to our credit policies. Upon the completion of the pre-credit review, the reviewers prepare a written report, which serves as one of the bases for our credit decision. The primary reviewer and the assistant reviewer are jointly accountable for the objectivity and truthfulness of their pre-loan review.

Credit Rating for Corporate Customers

We gradually establish and improve our internal rating system in accordance with the relevant technical standards of the Capital Management Measures (trial) (《商業銀行資本管理辦法(試行)》) promulgated by the CBRC. In 2012, we began our cooperation with Moody's, one of three major credit rating firms in the world, to develop a credit risk foundation internal rating-based probability of default ("F-IRB PD") model. From this cooperation, we completed the implementation of our internal rating system in the Risk Analyst system of Moody's. We believe the establishment of our internal rating system has laid down a foundation for credit risk capital measurement using the internal rating-based ("IRB") method in the future.

In principle, we require customers who have credit exposure balances with us (except Three Smalls customers) to be subject to rating updates at least once a year. For a new customer, we require it to be subject to a credit rating before establishing a lending relationship with it. If a customer experiences such a material change that the original assessment results would be affected, we will require it to be subject to rating review.

Collateral Assessment

We generally require the borrowers to provide appropriate collateral for loans made to them. The types of collateral mainly include mortgages, pledges and guarantees. We have established the valuer access system and a valuation report to be prepared to determine the value of collateral.

Before accepting collateral, we require staff in charge to give priority to collateral the value of which is easy to ascertain and be cautious about or not accept collateral which is hard to maintain on, realize or which experiences significant fluctuations in value. For the determination of the value of collateral, it shall be subject to internal assessment of the Credit Review Department or assessment of an asset assessment agency recognized by us. We set different loan-to-value ratios for different categories of collateral:

Collateral	Loan-to-value ratio
Residential properties, commercial properties and plants (not applicable to personal residential loans)	Not more than 70%
Construction land use right	Not more than 70%
Vehicles	Not more than 70%
Aircrafts and ships	Not more than 60%
Other movable property such as inventory, machine and equipment	Not more than 50%
Warehouse receipt, bill of lading and automobile certificate	Not more than 70%

For loans guaranteed by a guarantor, we conduct assessments on the guarantor's financial condition, credit history and ability to meet obligations with reference to procedures and standards applicable to the principal debtor and we require a guarantor to receive a credit rating and set standards for a qualified guarantor.

Credit Review and Approval

Our Credit Approval Department is responsible for conducting a comprehensive analysis and assessment of our credit business, indicating major risk exposures and providing specific steps to avoid and prevent such risks. With the authorized permission for credit approval and through our approval procedures, the department makes decisions directly or forms review schemes and review opinions which are to be submitted to our credit approval committee for approval.

For the proposals required to be submitted to the Loan Approval Committee for consideration, the branch heads give their opinions based on their review, and then submit to the Loan Approval Committee for consideration. The businesses which have been reviewed and approved by such committee should be ultimately approved by our president. Our credit approval department formulates the reply according to the ultimate approval opinion, which, after being signed and issued by our president, is delivered to the reporting branches and sub-branches to implement the approval opinion while a copy is forwarded to the disbursement reviewers. For the proposals required to be submitted to the Related-party Transaction Control Committee for consideration, our Credit Approval Department is responsible for submitting such proposals to the Related-party Transactions Control Committee and attending relevant meetings. The proposals are considered and decided by the Related-party Transactions Control Committee pursuant to the appropriate requirements.

Our credit review and approval personnel at all levels are required to review and check whether the credit materials are complete for each item under our credit policies, and perform due diligence on the customers and their guarantors, including understanding basic profiles, credit uses, industry policies, financial factors, cash flows, non-financial factors and guarantee capabilities. They should not only pay attention to the financial statements and collateral, but also the first repayment sources of the borrowers and the safety of funds, with a focus on reviewing the actual operating positions of the enterprises, the truth of the materials provided and the loan uses, and finally express their review and approval opinions independently.

We believe that the submission, review and approval of credit business are operated and managed through our credit management information system, which automatically controls the authorities of the reviewers at all levels. The system prevents reviewers approving transactions which exceed their authority.

Disbursement Controls

Our Bank conducts centralized management on the disbursement of loans (other than discounted bills and export bill purchase) and the charges for other credit business, which are charged off uniformly by the disbursement reviewers in our Disbursement Review Department. After conducting formal reviews on the completeness of the basic information of credit customers and credit business information, the fulfilment of credit conditions mentioned in relevant review opinions as well as the integrity and normalization of contracts, if the disbursement reviewers consider the disbursement/charge requirements are satisfied, they will carry out the disbursement/charge procedures of credit business pursuant to the disbursement/charge rules.

Post-disbursement Management

The responsibility to conduct post-credit management in our Bank lies with the persons in charge, who mainly include the heads of operating entities or customer marketing personnel. The heads of operating entities are responsible for inspecting and supervising the post-credit management of such entities. The Corporate Business Department monitors and inspects the post-credit management for major customers. The Credit Management Department fully monitors and inspects the post-credit management throughout our Bank and has obligations to oversee the post-credit management of each business department. Our Internal Audit Department performs audits on the implementation of our post-credit management.

Our post-disbursement management mainly consists of the followings:

- **Post-credit tracking and inspections** — Upon disbursement of loans, our customer managers are required to carry out post-credit inspections, which include the initial and follow-on inspections. Within seven days after the occurrence of project financing, new businesses and the first business from new customers, our customer managers undertake the initial tracking and inspection to check the loans are used in a reasonable manner to prevent misappropriation of the loans. The credit business with small amount and adequate collateral or nil risk exposures is inspected at least once before it is due for repayment. Other pass credit business is inspected at least once every quarter and the cross-city credit business is inspected at least once every three months. If the loan becomes overdue or other risk alert signals appear, the customer managers will increase the frequency of their inspections. The special mention credit business is inspected at least once every two months. The outstanding substandard credit business is inspected at least once every month. The changes in conditions of credit business below (including substandard) are monitored from time to time.

  With respect to group customers, the Corporate Business Department together with our sub-branches are responsible for post-credit tracking and inspection. Their monitoring focuses on: the credit fund flows so as to prevent such funds from misappropriated; any unusual changes in conditions in such group or its major entities; the creditworthiness and management capabilities of the substantial investors and key management of the entities and their effects on the related entities of the group; purchases or sales of goods, provision or receipt of services between related parties and other related party transactions.

- **Risk alert mechanism** — Our Bank has established a risk alert mechanism with a focus on analysis and judgment on alert signals, which are set and adjusted by the Credit Management Department. The content of such alert signals mainly comprises information about customer quality, changes to customers' bank accounts, the operation environment, the customers' management and the loan status as well as performance capabilities. Our Bank has also stipulated some detailed response measures in details against misappropriation of the credit funds, disposing of the collateral and pledges without authorization, evading the bank debts and the deterioration of financial positions of the customers.

  Our customer managers are required to report to the head of our operating entities, Corporate Business Department and Credit Management Department in a timely manner upon the receipt of a risk alert signal. In general, our sub-branches are obligated to adopt response measures and report them to the Credit Management Department, which in turn provides some guidelines on such measures.

- **Settlement at maturity** — Our Bank, in principle, requires that credit staff promptly inform our customers in writing or in another effective manner 30 days before their loans with us expire . Where the funds in their accounts are insufficient to repay the loans, the customers will be informed to deposit sufficient funds to our Bank. If any termination events stipulated in our loan contracts occur, and therefore result in the early expiration of loans, we will issue written notices on the early expiration to the borrowers and guarantors and carry out the relevant repayment procedures.

- **Loan Classification** — Under the relevant policies and requirements and with reference to our practical positions, we classify our loans into the following categories: pass, special mention, substandard, doubtful and loss on the basis of the possibility of collecting loan principal and interests, taking into account certain factors such as the repayment abilities, record and willingness of the borrower, loan guarantees, repayment obligations and credit management. Such loan classification system aims to disclose the actual value and risk level of loans in a quantitative form, and helps us accurately identify hidden risks in loans, find out the problems in loan disbursement, management, monitoring and collection as well as non-performing loan management, and carry out multi-level risk monitoring and management.

  The loan classification adheres to the principle of "regular recognition and real-time adjustments". When initiating the application, an account manager manually pre-classifies according to his/her investigation with a combination of our loan classification standards. Then the reviewers at each level can adjust the classification of such loan until the final approval officer determines its classification. We classify the risks of all of our loans on a quarterly basis. We will make real-time adjustments on the relevant loans upon the occurrence of special events affecting the credit business or our customers.

Non-performing Loan Management

We monitor, track and inspect our non-performing loans in real time. Upon the appearance of non-performing loans, with the assistance of customer mangers, the Legal Affairs Department first carries out necessary investigations, which include recognizing the truth and legality of files and documents, verifying the loans due of debtors, making inquiries and site visits to the registration authorities of the relevant collateral or confirming information with guarantee enterprises, making inquiries to the relevant authorities on the borrowers' assets and to the Administration of Industry and Commerce on the borrowers' business registration.

On the basis of investigation results, the operation department, after carrying out a comprehensive analysis, determines the loan recovery proposals, which include the following aspects: (i) we directly deduct the outstanding amount from the accounts of debtors and guarantors according to the requirements under contracts; (ii) we have a commitment to recovery within a limited time, where the borrowers agree to repay the loans, the legal affairs department requires them to sign written repayment commitment letters, which provide that the borrowers repay the principal, interest and overdue interest within a specific period; (iii) disposing the collateral together, where the borrowers agree but have insufficient ability to repay the loans, after negotiation with the borrowers, the Legal

Affairs Department assists them to dispose the collateral in order to compensate for the principal, interest and overdue interest; (iv) we bring a lawsuit to the court for the repayment from borrowers according to relevant laws, and apply to the court for property preservation; and (v) we then apply to the court for enforcement.

We have formulated Administrative Measures of Writing-off Doubtful Debts of Bank of Jinzhou, which specifies in detail the scope of writing-off with reference to relevant state policies and requirements. For the non-performing loans within our writing-off scope, each operating entity is responsible for collecting the writing-off information of loss assets and preparing a write-off report, then submitting the report to the Credit, Legal and Risk Management departments. After preliminary review, such departments deliver the write-off information to the risk management committee for discussion. Upon passing, the Risk Management Committee determines whether to submit the writing-off information to the Board according to its authority. Finally, the Financial Management Department reports the write-off on the basis of relevant resolutions and makes filing with the taxation authorities.

According to the Accountability System of Bank of Jinzhou, with respect to the loss credit assets, the responsible investigators, reviewers and approvers of credit business at each level may be subject to penalties, such as garnishing various wages, transferring their positions, removals, terminating their employment contracts, dismissal and transferring the matter to judicial authorities. The accountability is recognized on the basis of the historical conditions, circumstances and relevant requirements in the process of such business pursuant to objective facts, including the original investigation reports, review and approval letters, inspection reports and the opinion letters signed by the principals.

Credit Concentration Management

In order to reduce the credit concentration risks resulting from credit business development and small amount of net assets, we, on the one hand, expand our capital scale through actively taking advantage of capital markets; on the other hand, enhance our own capabilities on accumulating capital and capital strength. Meanwhile, we increase our efforts on limiting the loan size of individual customers, control and reduce the credit risks from the customers with large loan amounts in order to effectively control our loan concentration. We plan to gradually reduce geographic concentration risks through properly expanding our credit business to surrounding regions. We will realize proper expansion of our credit business to surrounding regions through cross-regional operations, and subject to obtaining approvals from the relevant regulatory authorities, we intend to expand our business to major cities across the nation, so as to reduce our geographic concentration of risks.

Off-balance Sheet Business Management

Under the requirements of Administrative Measures of Bank Acceptance Bills of Bank of Jinzhou, Administrative Measures of Guarantees of Bank of Jinzhou and Administrative Measures of Trade Financing of Bank of Jinzhou, we strictly review the authenticity of off-balance credit business background and the compliance of relevant procedures, so as to ensure sufficient deposit amount, as well as the margin ratio and the guarantee measures for the part of exposure differences in compliance with our requirements. In respect of bank acceptance bills, the acceptance commission is charged to the applicant when being issued, and we have set a minimum level of security deposits required of applicants. We manage the acceptance of bank acceptance bills on an aggregate basis and incorporate the aggregate amount in our annual credit control targets. The acceptance limit exposure of bank acceptance bills of individual customer is included in our credit limit for such customer under uniform credit management.

In respect of risk prevention, our credit department registers the ledgers in a timely manner and check with the accounting department, as well as tracks and inspects the acceptance applicants and guarantors, keeps the inspection reports on file for reference. The involved banks make timely alerts on risk factors, and submit immediate alert reports to our headquarters.

Related-party Credit Management

In order to regulate the related-party transactions and control the risks of related-party transactions for the purpose of our safe and sound operations, our Articles of Association, Administrative Measures of Related-party Transactions of Bank of Jinzhou and Implement Rules of Management of Related Credit Management of Bank of Jinzhou have specified the definition of related parties, reporting and registration of related-party transactions, review and approval procedures, related-party transaction management and other aspects. According to such requirements, all of our related-party credit extension shall be conducted under the principle of no conflict of interest. The loans' interest rates shall be determined pursuant to market level, and the credit conditions shall be no more favorable than those available to other borrowers on the same type of business during the same period. The pricing of related-party transactions shall be objective and fair without prejudice to the interests of our Bank and independent shareholders.

We strictly implement the related-party and connected person reporting procedures throughout our Bank in order to identify all business relationships between related parties and us, as well as realize centralized management and timely monitoring. Meanwhile, through reporting the "connected persons" in our Bank of the related parties, we rigorously implement the internal policies relating to connected persons throughout the related-party credit investigation and review and approval process in order to further reduce the credit business risks of shareholders and related parties.

Risk Management for Our Investments in Non-standard Credit Assets

From a prudent risk control perspective, we consider ourselves ultimately responsible for the results of credit risk control of the asset quality of our investments in non-standard credit assets, regardless of whether we invest with funds at our disposal or funds raised from wealth management products offered to our customers. In order to minimize the risks, our credit risk management policies with respect to non-standard credit assets are overall consistent with those applicable to our corporate loans, including, among others, due diligence, risk assessment and post-investment risk management.

Compared to corporate loans, we have also taken certain additional measures to manage the risks related to our non-standard credit assets, based on the nature of these assets, as follows:

- Due Diligence. For our investments in non-standard credit assets, we conduct due diligence investigations according to the same requirements as in our corporate credit extension business, including without limitation on the ultimate borrowers and the guarantees and collateral they provide, and apply the same credit risk management policies and procedures for corporate loans to these non-standard credit assets. Our transactions of investments in non-standard credit assets are subject to the review of our credit review department to control our credit exposure to underlying borrowers.

- Management of Counterparties. We manage other banks, trust companies, securities companies and other financial institutions that we enter into transactions by maintaining a master list. We set comprehensive credit limits for banking financial institutions and maintain a list of non-banking financial institutions such as securities companies and trust companies that we may enter into transactions with. Generally, we assess the creditworthiness and qualifications of the asset companies and securities companies based on factors such as their registered capital, profitability and risk control measures.

- Contract Management. Investments in non-standard credit assets generally involve a variety of transaction documents and multiple parties, based on the nature and transaction structure of such investments. All of our business contracts for our investments in non-standard credit assets are subject to review by our legal affairs department, except where the contract is the same as a previous contract that has already been reviewed by the legal affairs department save for changes of the transaction-related elements such as the agreed transaction amount and interest rates.

Once we have made our investment, we control the risks of such investments in the following manners:

- According to the agreements between the managers and us, managers shall effectively manage the relevant instruments and timely inform us of any risk that may have an adverse effect on our investments; and

- In the event of default by the ultimate borrower in connection with an investment, we take measures with reference to, and consistent with, our internal rules on the handling of non-performing corporate loans. We may demand that the relevant manager take measures to minimise our losses. Such measures include, without limitation, (i) to conduct investigation on the borrower to ascertain the reasons for its default and its potential to fulfil payment obligations in the future; (ii) to analyse the level of risks associated with our corresponding investment and devise / adjust the handling plan for our investment subject to our review; (iii) to exercise the manager's rights under the guarantees according to the agreement between the manager and us, such as the rights to offset the debt, to dispose the collateral, to bring law suits and to apply to the court for enforcement; and (iv) to cooperate with us in the routine post-investment management, such as the periodic onsite and remote monitoring, risk classification and information analysis. In such event of default, we may also further assess our provision on our investments and make additional provision accordingly if considered necessary.

In order to enhance our risk management in relation to our investments in non-standard credit assets, we have carried out the following measures:

- We have completed the divisional reform of our interbank and investment banking businesses and established our Investment Banking & Interbank Department to be responsible for the unified operation of our investments in non-standard credit assets.

- We have adopted a series of internal rules, measures and protocols on the management of our investment banking and interbank businesses, including those on the overall management of such businesses, operational protocols, credit extension, post-investment management, file management and credit risk and operational risk management.

- We have tailored our management process and requirements for certain different types of our investments with different risk profiles in relation to due diligence, credit extension and post-investment management and implemented a customized post-investment management system for our investments in the investment banking and interbank business.

In addition, in line with the Notice on the Regulation of the Investment and Operation of Wealth Management Business by Commercial Banks (the "**Wealth Management Notice**") and the Notice on Improving Organization and Management System of Banking Wealth Management Business issued by CBRC on March 25, 2013 and July 10, 2014, respectively, we have enhanced our internal control processes with respect to our wealth management products. Particularly, we have taken the following measures:

- We have completed the divisional reform of our wealth management business and established our wealth management product management department to satisfy regulatory requirements such as separate accounts, risk remoteness, standardized conduct and unified management. This department is responsible for the centralized and unified operation and management of all our wealth management business;

- We have been monitoring the amount of investment in non-standard credit assets and the outstanding balance of our wealth management products on a daily basis to keep the balance of our investments in non-standard credit assets below the regulatory limits set by CBRC. According to the Wealth Management Notice, the balance of investments in non-standard credit assets by a bank using wealth management funds at any point of time should not exceed the lower of (i) 35% of the total balance of wealth management products and (ii) 4% of the total assets of such bank according to its audit report for the previous year; and

- We have enhanced our information disclosure to include (i) in the offering documents of our wealth management products, the information including, among others, the scope of investments of the relevant products, percentages of different types of investments and basis of calculation, and reminder of material risks; (ii) monthly disclosure of non-standard credit asset products invested in and the status thereof during the duration of the relevant wealth management products; and (iii) in the redemption announcements for our wealth management products, the information including, among others, types and percentages of investment assets, charges and actual return rates for customers upon maturity.

We assess risks associated with our investments in non-standard credit assets based on the nature of the underlying assets of such investments under the principal of "substance over form" and make provisions in accordance with our Administrative Measures on Provisions.

MARKET RISK MANAGEMENT

Market risk refers to the risk of losses that we may suffer in our on/off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices. Our exposure to the market risk arises primarily from our assets and liabilities on the balance sheet, and mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that we may suffer the adverse movements in statutory interest rates or market interest rates. Exchange rate risk is the risk of loss that we may suffer from the mismatches of the currency denomination of our assets and liabilities. Our market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within acceptable limits and maximize our risk-adjusted income. Our Risk and Compliance Department is responsible for monitoring, inspecting and assessing the adequacy and efficiency of our market risk management system. The Capital Transaction Department, Investment Banking & Interbank Department, Financial Management Department and International Business Department are responsible for the centralized management of interest rate risks and exchange rate risks.

Interest Rate Risks

Interest rates in China have been gradually liberalized in recent years. Since July 20, 2013, commercial banks may set interest rates for RMB-denominated loans (except for commercial residential housing loans) at their own discretion. Since October 24, 2015, commercial banks may set interest rates for RMB-denominated deposits at their own discretion. With the liberalization of interest rates, the interest rate risks have gradually changed from policy risks to market risks, and have become one of the major risks for bank operations. The interest rate risks are mainly reflected in the risks of uncertainty from our deposits and loans, debt investments and interest sensitivity gaps.

Impact on deposits and loans

The impact of interest rate on our deposits and loans can be classified into two components, namely the impact on spread and the impact on the value of loans. As interest rate spread is our main source of operating profits, if the PBOC adjusts the benchmark deposit and loan rate, our revenue structure and profitability will be affected. In particular, in respect of our fixed interest rate business, change in interest rate may cause our customers to early repay the principal and interest of their loans or early withdraw their deposits. When the interest rate increases, our deposit customers may early withdraw and re-deposit their low interest deposits as new term deposits, which will increase our interest expenses. When the interest rate decreases, our loan customers may early repay their high interest rate loans and re-apply for low interest rate loans, which will lower our interest income.

When there is objective evidence of the impairment of our loans, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. As such, unexpected changes in interest rate may affect our floating-rate loans and in turn our profit or loss.

Impact on bond assets

Changes in benchmark interest rate and market expectations of future interest rates are among important contributing factors to the fluctuation of market prices of bonds. The market trend in the last few years indicated that bond prices tend to fall when investors expects the benchmark interest rates or market interest rates to increase, and vice versa. Given the uncertainties about changes in market interest rates, there is a risk that the value of bond investments may decrease due to investment mistakes as a result of misjudgment.

Our bond assets are subject to the following risks in case of increase in interest rate: (i) increase in interest rate may result in the drop of bond price, lower valuation of bonds and decrease in profitability; and (ii) increase in interest rate may cause the liquidity risk which may in turn drive up the cost of bond investments.

Interest Rate Risk Management

We will manage interest rate risks through the following ways:

Adhere to uniform interest rate management policies and enhance interest rate risk control capability

We will uniformly manage interest rate and stringently control the authority of interest rate management and the range of interest rate volatility to further enhance its interest rate risk control capability. We will constantly enhance the follow-up research on economic policies and financial market, keep a close eye on the impacts on us imposed by currency policies and the development of the interest rate management system, enhance the level of research and analysis, improve analysis and judgment capability on macroeconomic situation and interest rate volatility, adjust the relevant structure and term of our Bank's assets and liabilities in advance based on its prediction to minimize the risks and losses arising from the changes to interest rate.

We have introduced a state-of-art assets and liabilities management system developed by SunGard Data System Inc. to manage our interest rate risks, established a demand deposit deposition model, time deposit early withdrawal model, time deposit accumulation model and early loan repayment model to complete reliable measurement of interest rate risks through the net interest income simulation and economic value simulation.

We will actively explore a reasonable interest rate risk management system to gradually improve interest rate risk assessment, evaluation and hedging mechanisms in line with the features of our Bank's business and assets to analyze the basic data in time such as the term, amount, size of our Bank's assets and liabilities and establish a reporting and response mechanism in relation to potential interest rate risks, monitor the interest rate sensitivity gap in real time to actively cope with interest rate volatility risks on the market.

Further enhance treasury business management, proactively adjust the asset liability management strategy

We have an established organization structure and system for treasury business risk management, with investment professionals and management talents. We also introduced and applied relevant business software and system and a series of risk assessment indicators, which laid down a solid foundation for bond investment business risk management.

As the fluctuation of the bond market rate intensifies, we closely follow the market based on our own characteristics, actively adjust the asset liability management strategy, emphasize the structural adjustment and total quantity control of bond portfolio, as well as properly adjust the bond portfolio proportion.

Position separation and limit management

For treasury business, we strictly separate the management of positions in front office, middle office and back office. Our headquarters will release the authorization documents for treasury transactions and interbank business in the beginning of each year, which lays down clear requirements for transaction type, bond credit rate, approval authority, concentration limit, stop loss limit, duration limit and VaR limit. Our headquarters also continuously keep track of the warning range and sensibility of the monitoring indexes. Our risk and compliance department will monitor the treasury transaction daily and prepare portfolio daily sheet, as well as timely identify abnormal transaction and disclose risk. When necessary, a meeting of the risk management committee will be convened by the chief risk officer, in order to find solutions.

Actively optimize bond asset structure and adjust investment strategies in response to changes in market environment to avoid interest rate risk

According to the changing trends and characteristics of market interest rates, we will adjust flexibly the size and structure of bond assets. If it's during the cycle of upward trend for the interest rate, we will moderately reduce the duration of our portfolios for bond assets, increase the types of short-term bonds such as policy bank bonds in our portfolios; and in respect of investments on medium and long-term bonds, we will focus on floating rate bonds with market rates as pricing benchmark and fixed rate bonds with early redemption and conversion terms, to hedge the potential risks resulting from higher interest rates.

In the next few years, we expect that the size of our deposits will maintain its rapid growth, and a portion of new funds will be contributed to investment bonds according to the assets and liabilities management strategy. If the market interest rates of bonds increase in the next few years, such funds will obtain the increased benefits from higher interest rates, and if the market interest rates of bonds decrease in the next few years, the market value of bond assets held for trading will increase accordingly. We will use new funds properly, strike a reasonable balance of cash flow from new bond assets, ensure sustainable ability of reinvestment and reduce the opportunity cost of investments.

Enhance our capability to mitigate risks by response to interbank bond market's price volatility

In order to mitigate the impact of changes in interest rates on our profitability, reasonably deploy our bond asset structure and meet the demand for liquidity management, we will reasonably arrange the proportion of tradable bond assets. We will put more efforts in research and development, keep abreast with the trends of the market and explore means to mitigate interest rate risk, such as exploring risk free arbitrage opportunities to reduce market fluctuation risk, e.g. our Bank prepares to use new-acquired trading qualification of derivative products to carry on heading business; and developing personal wealth management products by leveraging on the interest rate spread between personal wealth management products and bond market products so as to reduce the interest rate risk from tradable bond assets while meeting the management objective to hedge the value of personal wealth management products.

As the underwriter of two policy banks, we will utilize our influence in the interbank bond market to lead the pricing of bond products in the market and endeavor to mitigate the market risk from bond investments by seeking optimal prices in bond transactions.

Expand intermediary business and non-rate-sensitive financial products

We will enhance the capability of our intermediary business in market expansion and product innovation and increase the weight of intermediary business in our profit structure. While enhancing risk control, we will improve the function of our financial service platform by developing intermediary business and non-rate-sensitive financial products that cater for the demands of the market so as to reduce the impact of changes in interest rate spread on our profit.

Exchange Rate Risk

Due to the complicated reasons for the formation of and changes in exchange rates, banks operating the foreign exchange business will face the risk of recording a decrease in revenue or suffering a loss due to the change in exchange rate if the mismatch in the currency type and duration structure of assets and liabilities result in a foreign exchange risk exposure. Exchange rate risks faced by banks mainly include trading risk and conversion risk. Trading risk represents the possibility that banks may suffer losses as a result of a change in exchange rate when using foreign currencies to conduct pricing receipt and payment transactions. Conversion risk represents the possibility that banks may suffer paper losses as a result of a change in exchange rate when converting foreign currencies into the bookkeeping base currency. We manage exchange rate risk by the following means:

- Strict implementation of the process management of the foreign exchange business: currently, all of our assets denominated in foreign currencies have been included in bank-wide risk assets for classified management. We strictly implement the process management for front office, middle office and back office operations and the risk control system of the foreign exchange business and strengthen the management of the foreign exchange settlement, sales and payment business and the foreign exchange trading business, so as to ensure that our risk mitigation measures are effectively implemented.

- Continuous improvement in the internal control system and operational procedures: we will continue to improve the internal control system and operational procedures by complying with our Detailed Implementation Rules for the Management of Foreign Exchange Settlement and Sale Positions and Measures for the Management of Foreign Exchange Treasury Business to immediately monitor important indicators such as exposure limit and stop-loss point, check the position of the respective main foreign currency on a daily basis, set overnight and daily limits for currency exposure and monitor them on a daily basis, with an aim to minimize our overall risk exposure and control the exchange rate risk within a minimal scope.

- Continuous improvement in the risk management capability of the foreign exchange business: we will optimize the structure portfolio of foreign exchange assets and liabilities in terms of currency type, duration and amount and actively conduct dealings aimed at mitigating exchange rate risk to lower the exchange rate risk exposure. In order to effectively hedge the exchange rate risk and enrich our market risk management measures, we have made active application to the regulatory authority for trading qualification of financial derivatives and have so far obtained the trading qualification of basic derivatives. The derivatives trading project jointly developed with Misys, a renowned international supplier of capital management system, was put into place in late 2012. We believe that not only can this system accomplish front office trading and back office settlement, but it also places particular emphasis on the risk control of the middle office and integrate all foreign exchange risk exposures of our bank into the same system platform, thereby providing intuitive and reliable reflection of various risk parameters and carrying out sensitivity analysis, cash flow analysis, scenario analysis and limit management conveniently and quickly. We will continue to oversee the exchange rate changes in the international market and leverage on the advanced experience in and effective measures for exchange rate risk management of our peers both at home and abroad, so as to continuously improve our ability to prevent exchange rate risks.

OPERATIONAL RISK MANAGEMENT

In the process of operation and management, imperfect governance structure for legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper handling may lead to operational risks.

Our Risk and Compliance Department is responsible for conducting continuous monitoring, inspection and assessment of the adequacy and effectiveness of our operational risk management system, putting forward improvement proposals and carrying out risk review of various risk management and internal control systems. Our strategies for operational risk management are as follows:

Establishing the operational risk management and control system to carry out centralized management of operational risk

We have established a centralized operational risk management system, developed relevant schemes and procedures and set up operational risk management tools and application processes including operational risk control and self-assessment (RCSA), key risk indicator (KRI) and loss data collection (LDC). We strive to eventually improve our operational risk management level by enhancing the awareness of operational risks among various departments and integrating relevant resources to support our operational risk management.

Strictly complying with the principle of "internal control comes first" and continuously improving our risk control

The improvement in internal control is a continuous process. Having regard to our business development, we will give full play to the functions of the Risk Management Department and, in pursuance of the principle of "internal control comes first", constantly formulate new relevant internal control rules for new business lines. We have formulated the Internal Control Manual of Bank of Jinzhou, regularly sorted up all of our internal control rules, strengthened the monitoring, assessment and examination of the implementation status of our internal control rules and assessed the soundness and effectiveness of our internal control system, provided feedback on the problems underlying our internal control, put forward relevant improvement proposals and urged the possible defects in our internal control to be rectified.

Strictly implementing centralized authorization management

In strict compliance with the Authorization Management Measures of Bank of Jinzhou, we grant annual basic authorization, limited level-by-level, in respect of the operational management, financial management, personnel management and other affairs management for general and normal businesses within the statutory operational scope. Meanwhile, we grant extraordinary and special authorization for certain specific matter and certain special matter beyond the scope of basic authorization when necessary. While the head office grants direct authorization to the authorized persons, each authorized person shall delegate authorization to its key internal business positions within its authorization scope after performing necessary procedures as required.

In view of the authorized person's operational and management level, risk control status, implementation of the authorization scheme and the office-holding of its principal responsible persons, we adopt differentiated authorization and adjust our authorization in due course. In respect of businesses and affairs beyond our own authorization scope, we shall report to persons or institutions that are entitled to approve such businesses and affairs for approval and decision in strict accordance with the Authorization Management Measures.

Strictly implementing a centralized management scheme for business processes

We have formulated a centralized process management scheme and compiled a specialized position responsibility system to define the responsibilities for each position. As for each of our business lines, we have adopted a centralized process management framework and formulated detailed operational rules, which define the responsibilities and authority of each part of the process. We stipulate strict position standards for each part of the business process and strengthen our target management while sticking to the process control, so as to prevent operational risks arising from human factors.

Strictly implementing the performance appraisal and incentive scheme

We have established the Nomination and Remuneration Committee under the Board. This committee is responsible for conducting overall performance appraisal of our directors and senior management members on a regular and irregular basis. Meanwhile, we have established a responsibility scheme for each business process and adopted the first-in-line responsibility scheme for business risks and losses brought to us. We believe that these schemes help lower our employees' ethical risks in the management process and guarantee the performance of responsibilities and obligations by our employees at all levels.

Strengthening the management of risk control checkpoints in key business processes and controlling risks arising from fraud and deceit

We will constantly strengthen the process management of key business aspects by focusing on the inspection of risk checkpoints in our business aspects and conduct overall checking of relevant rules and regulations. We implement qualification management for our employees according to our risk control and business development requirements and formulate a continuous training scheme, which aims to constantly strengthen the technical training of front-line employees and key business positions, improve employees' comprehensive business qualities, strengthen employees' ability to identify risks and combat financial crime and enhance their skills in preventing, identifying and inspecting fraud. Meanwhile, we strengthen the investigation of employees' professional ethical standards and enhance professional ethical education to prevent internal staff and external parties from committing crime through collaboration.

We have established the reporting system for high value payment and significant events, with an effort to lower the possible losses suffered by us due to fraud and deceit.

Constantly improving the accountability mechanism of the credit business

In order to advance the control over operational risks in the credit business and promote the establishment of the credit extension risk accountability system, we have formulated the Accountability System for Loan Provision of Bank of Jinzhou, which defines the scope of accountability, determines the responsible person and his responsibilities (divided into full responsibility, primary responsibility and secondary responsibility according to the extent of responsibility) and determines the corresponding responsibility to be borne by relevant responsible person under different circumstances. It also stipulates the requirements for due diligence of credit extension activities; defines the organization and management, specific procedures and requirements for responsibility appraisal and verification; and puts forward handling and punitive measures for responsibilities relating to credit extension activities.

Further strengthening the internal control management of operational risks of counter business

On June 2, 2015, the General Office of the CBRC has issued the Notice on the Strengthening of the Internal Control Management by Banking Financial Institutions to Effectively Prevent Operational Risks of Over-the-counter Business (the "**Counter Business Notice**"), which requires all PRC banking financial institutions to tighten their internal control systems and procedures in respect of over-the-counter business in order to better protect consumer's interests. The Counter Business Notice requires, amongst other things, that a PRC banking financial institution should install audio and video recording system in the cash area of each retail points and should accelerate the installation of audio and video recording system during the agency sale of products and the sale of wealth management products. After the Counter Business Notice was issued, our Bank conducted a self review of the relevant internal control management procedures and further revised certain internal control and management procedures in accordance with the requirements stipulated in the Counter Business Notice. We also completed the tendering process for the procurement of audio and video recording equipment to be installed in the wealth management rooms with a view to speeding up the installation of audio and video recording systems in all wealth management rooms of our retail network as required by the Counter Business Notice.

Anti-money Laundering (AML)

Our AML organizational system consists of the AML leadership team at the head office, AML working groups at various branches (sub-branches) and AML working positions at our outlets. In strict compliance with the AML regulations and regulatory requirements, we have formulated a series of rules including the AML Management Measures of Bank of Jinzhou, the AML Operational Procedures of Bank of Jinzhou, the Management Measures for AML Internal Risk Control of Bank of Jinzhou and the AML Confidentiality System of Bank of Jinzhou and have established an AML system which clearly provides for our AML organizational structure, operational requirements, control measures, working standards and due diligence requirements. We regularly review all of our customers' risk level, strengthen seal management and update process management, and enhance the review of payment operations and the monitoring of large amount transfer. We continue to upgrade our AML monitoring and reporting system and improve the submission quality of AML data to meet the requirements for AML data submission imposed by the People's Bank of China. We provide training on the AML system to relevant business personnel and new employees.

LIQUIDITY RISK MANAGEMENT

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of commencing normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks for commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect our liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, our own asset and liability structure and liquidity management capability are also important factors which affect our liquidity.

Our RMB liquidity ratio for the past three years meets regulatory standards and our liquidity supply is abundant, without significant dependence on a certain category of funds. When we experience temporary liquidity difficulties, we may obtain short-term financing through various channels such as the inter-bank bond market and the inter-bank lending market, so as to lower the adverse impact of liquidity risk on us.

Our Financial Management Department is responsible for the analysis and monitoring of our daily liquidity risk management, while the Financial Management Department, the Capital Transactions Department and the Investment Banking & Interbank Department manage the liquidity risk. We manage our liquidity risks through the following measures:

Establishing an effective liquidity management and decision-making system

We have formulated asset and liability management strategies which are in line with our actual conditions. Being responsible for bank-wide liquidity management, the asset and liability management committee establishes the liquidity management portfolio plan according to the requirements and regulatory indicators for asset and liability management at the beginning of each year and monitors and adjusts this plan on a quarterly basis, with an aim to ensure the effective management of our asset and liability structure.

We adopt liquidity management strategies to tailor towards our special characteristics of limited capital size and operating in focused regions. Therefore, we have formulated asset and liability management strategies which are in line with our actual conditions after taking into account such conditions, so as to maintain the reasonable matching of credit assets, bond assets and liabilities and improve asset liquidity. We also strive to mitigate liquidity risks by constantly optimizing our own asset structure and improving our liquidity management capability.

Sticking to positive and active liquidity management policies

We continue to adopt positive and active liquidity management policies. Having regard to the actual condition of demand deposit deposition and expired deposit renewal, the asset and liability management committee has determined the minimum proportion of maturing funds and corresponding bond holding structure required for mitigating liquidity risks and adjusts the asset holding structure in due course according to changes in the market environment every quarter. In the meantime, we will actively improve our active liability capability and constantly enhance our financing capability in the interbank market, so that the bond investment business can not only become an important source of profit for us, but also become an important reserve for us to maintain good liquidity.

Establishing the liquidity risk monitoring system and continuing to conduct daily monitoring of the treasury business process

We have imported the asset and liability management system developed by the world leading SunGard Data Systems Inc. to manage our liquidity risks. We carry out reliable measurement of liquidity risks by building a series of internal models including the demand deposit deposition model, the time deposit early withdrawal model and the time deposit accumulation model. We believe that the launch of this system enriches our measures and tools for liquidity management. Firstly, we can analyze day-to-day and month-to-month cash flow information and manage the bank-wide liquidity in a more elaborate way through static and dynamic monthly cash flow shortfall statements. Secondly, we can carry out multi-dimension management and monitoring of liquidity through the addition of a series of indicators such as liquidity coverage ratio and net stable funding ratio. Thirdly, we can effectively forewarn liquidity risks by carrying out tailored liquidity pressure tests.

We formulate asset and liability and liquidity management policies on an annual basis, adjust our asset and liability management strategies in a timely manner on a quarterly basis according to the liquidity risk profile, monitor liquidity management indicators (including the proportion of medium-to-long term loans, liquidity ratio of funds denominated in RMB and foreign currencies) on a monthly basis, and monitor daily monitoring indicators (including the cash reserve ratio) on a daily basis. The Financial Management Department is responsible for monitoring all of our bank's positions and determines overall size of capital operations for the day, while the Capital Transactions Department and the Investment Banking & Interbank Department effectively control our liquidity risks by comprehensively utilizing various financial instruments to deploy our positions according to the overall size of capital operations determined by the Financial Management Department.

We continue to conduct process management of the daily fund transfer business. Our sub-branches and relevant departments report fund position information on a real-time basis through our fund position management system. Based on such information, our Financial Management Department calculates our positions and predicts abnormalities in bank-wide fund positions according to the calculation results.

Continuing to broaden the access to capital funds, and maintaining a reasonable matching of net capital and the growth of risk assets

We will speed up the pace of entering into the securities market, and make full use of the continual financing function of the securities market to increase our core capital. We will also establish a diversified capital supplement mechanism, and adjust and improve our capital structure by increasing our supplementary capital through the issuance of tier 2 capital debts by our Bank. We will continue to increase the efforts to recover non-performing loans, decrease the total amount of non-performing loans, strictly control the scale of new non-performing loans and ensure the stable growth of net capital. Besides, we will continue to optimize the assets structure, adjust and compress high risk assets, and maintain a reasonable matching of net capital and the growth of risk assets.

COMPLIANCE RISK MANAGEMENT

We adhere to the guiding ideology of "compliance with the laws and regulations is the footstone of our operations", and have established the compliance risk management system. As the department responsible for the compliance risk management, the Risk and Compliance Department has developed the Compliance Risk Management Measures of Bank of Jinzhou, a compliance management system that we believe adapts to our development well. We consider the compliance operation as the footstone of our operations, and control the compliance risk in strict accordance with the requirements of the regulatory body. In order to achieve sustainable and standardized development and prevent any non-compliance issues, we have also formulated the Management Measures for Reporting Non-compliance of Bank of Jinzhou. The Legal Affairs Department conducts centralized management of the legal risks. The Risk and Compliance Department is responsible for the ongoing monitoring, inspection and assessment of the adequacy and effectiveness of our legal and compliance risk management system and putting forward improvement recommendations thereon. We improve our ability to manage and control compliance risk through the following measures:

- We improve our operational procedures and the basic rules for each business according to the requirements of the regulatory authority, actively carry out business self-inspection and rectification, thus effectively reducing the risks and enhancing our compliance awareness.

- The Risk and Compliance Department and the Internal Audit Department coordinate jointly to conduct regular compliance inspections. The two departments conduct examination, inspection and acceptance and ratings of various business lines throughout our Bank and urge the rectification of their findings. We believe that we have improved all employees' business skills and professionalism, reduced and avoided business risks and built a good compliance environment.

- We take the "family culture" as the carrier of our compliance culture development, and have set up a three-party interaction mechanism comprising employees, their family members and their working units. We build the risk culture by means such as heart-to-heart talks, panel discussions and interviews. Once any employee is found to have behaved abnormally, we will immediately take measures such as moral education or dismissal from original position, so as to lay a solid ideological foundation for our compliance operation.

RISK MANAGEMENT IN REGIONAL OPERATION

Our businesses are mainly located in Jinzhou and other cities in Liaoning province, Tianjin, Beijing and Harbin and we plan to expand our business to other economically developed major cities in the PRC, subject to approval of relevant regulatory authorities. At present, in the economically developed central cities, given that the commercial banking system dominated by large commercial banks, joint stock commercial banks and municipal commercial banks has established, the competition in terms of customers, capital, service, technology and talent is increasingly intense. In view of this, we strive to enhance our risk control ability while we are expanding our regional operation in a bid to build our risk control management system and management capability which match with our business development model.

We believe that the solution to our cross-regional operation risks is as follows:

- Implementing a key-city development strategy to create a good development environment. Based on the principle of prudent decisions, we will facilitate research analysis on regional economy and market demand, on-site investigation and careful site selection in line with the plan of additionally establishing branches for our development requirement so as to avoid blindness of establishing additional branches and reduce operational risks upon the establishment of branches. In accordance with our development plan, we will implement a key-city development strategy and further expand into other economically developed large and medium-sized cities when the conditions are ripe.

- Serving for quality small and medium enterprise customer base to implement the key customer strategy. We will foster quality small and medium enterprise customer base to implement the key customer strategy and increase the market shares by improving customer manager system and overall marketing system; we will continue to implement the focus marketing strategy and intensify our efforts to expand key construction projects in the operational region while serving for small and medium enterprises, and to improve the innovation and services of individual retail products.

- Enhancing internal control and increasing the investment in information technology. We will increase the investment in financial electronization to improve the technology in financial services; meanwhile we will strictly implement the management methods in relation to newly established branches during the branch establishment to rapidly enhance the overall service level and risk control capability based on the principle of "internal control comes first".

- Enhancing the communication with regulatory authorities to facilitate the sound implementation of regional operation as planned. We will further enhance the communication with regulatory authorities and report the progress of the additional establishment of the branches to ensure the consistency in the preparation, opening and overall development plan of the branches.

INFORMATION TECHNOLOGY RISK MANAGEMENT

We have formulated relevant rules to standardize risk evaluation, risk disclosure and risk reporting of banking information technology. For the purpose of risk evaluation management, the Risk and Compliance Department will evaluate risks regularly or on the basis of the implementation of and changes to the key application systems and adopt controlling measures in relation to medium and high risks; we will evaluate information technology risks of cross-district branches to suggest improvement measures. For the purpose of risk control, the Risk and Compliance Department has conducted certain risk measurement and monitoring measures in relation to implementation of information technology projects, monitoring and maintenance of daily system performance, outsourcer management and information security management, timely identify and cope with the potential risks after reviewing information technology risks.

We have established a set of systems from access control, blog management, computer room management, network security, online banking security, anti-virus, self-service bank management, desktop system management, information asset classification protection, technology document management, server security, parameter configuration of information system, secret key security to cipher algorithm application security to ensure information security. Information security team has been formed, which is led by the responsible president to encrypt key data during the transmission through uniform encryption platform and conduct 24-hour monitoring of the physical environment of the computer room. We have introduced IBM Optim testing data management software to whitewash and desensitize production data to effectively protect the security of customer information.

In order to cope with contingency of information systems, we have formulated the relevant rules and contingency response plan and formed a business continuity management committee comprised responsible persons from the Risk and Compliance Department and other business departments as members to form a contingency leader group, execution group and support group in response to contingency and to regularly carry out contingency exercises.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the risk of negative publicity from stakeholders caused by our operations, management or other activities or external events. Our reputational risk has been incorporated into our comprehensive risk management framework, and management rules have been formulated to specify the identification, reporting and handling processes of significant reputational risk incidents. Our office of the president is responsible for establishing a reputational risk management mechanism. We have established a reputational risk emergency control steering group at our head office to guide and coordinate various departments to handle reputational risk-related emergencies, and to decide whether to launch reputational risk emergency plans based on the nature and severity of the incidents. The offices of our head office and branches are responsible for managing our public relations and monitoring, reporting and handling incidents that may affect our reputation. Our specially-assigned staff is responsible for detecting public opinion, collecting various incidents affecting our reputation, and submitting hierarchical reports based on the affected levels of reputation. In addition, we have launched a public opinion management system to monitor and identify various reputational risks more efficiently.

INTERNAL AUDIT

We believe internal audit is essential to our stable operations and sustainable development. We have established an independent vertical internal audit system. The Audit Committee of our Board inspects, oversees and evaluates our overall internal audit work. The senior manager designated by our Board guides our internal audit and directly reports to our Board. The internal audit department at our head office, together with audit teams is established in accordance with our business development requirements, and we also dispatch regional audit commissioners according to economic development conditions and supervisory characteristics in the region and perform audits on our operations and management.

We have formulated a series of internal audit rules and policies from structural principle to operating standards, including the internal audit charters, internal audit guidelines (including basic and specific guidelines), business audit brochures, professional code of ethics and audit disciplines for internal auditors. Such rules clearly set forth the principles, departments, personnel, duties, authorities, procedures and responsibilities for our internal audit.

We review, evaluate and improve our operation, risk management, internal control and corporate governance through systematic and standardized internal audit methods. Our internal audit complies with principles of independence, objectivity, prudence, efficiency, importance and relevance. The primary objectives of our internal audit are to ensure our compliance with applicable laws and regulations, keep risks within the levels set by our Board and improve our operations.

Our audit department performs its audit duty based on the "top-down" principle, with focus on the research and application of informationization audit, through the combination of on-site audits and off-site audits. Our audit procedures consist of audit planning, preparing, implementation, reporting and subsequent audit. The audit department formulates mid- and long-term audit plans and annual audit plans, which are implemented upon the approval by our Board. Based on the approved audit plans, the audit department selects appropriate audit methods and forms, formulates appropriate audit plans and working procedures, utilizes advanced audit methods and instruments and clarifies the responsibilities of audit staff to ensure that our internal audit functions are carried out in a proper and orderly manner.

The audit department is required to truthfully report problems discovered during the audit process, prepare objective audit reports with audit analysis, audit evaluation, proposals and other audit information, and submit these reports to the senior manager designated by our Board and the chairman of the board. Once approved, the audit reports will be submitted to the chairman of the Board, which will be forwarded to the risk compliance department in accordance with audit identification and utilization procedures. Then the department will supervise and follow up the rectification of those problems identified during audits, and administer penalties on the relevant units and personnel according to regulations.

The audit department reports to the Audit Committee on a regular basis. The designated senior manager in charge of internal audit regularly reports the status of audit to our Board. Audit reports are submitted to the senior management and the board of supervisors simultaneously. The audit department submits audit reports and other reports to regulatory authorities upon request. The audit department conducts subsequent audits in due time on completed audit projects, based on rectification feedbacks from the risk compliance department, to ensure that the audit objects have taken proper actions in response to audit suggestions to ensure smooth resolution of the issues identified during audits with suggestions adopted duly, meanwhile realizing extended corrective effect on similar situations.

DIRECTORS

Name	Age	Time of joining our Bank	Date of appointment for current term	Position	Responsibility
Mr. ZHANG Wei (張偉先生)	57	January 1997	October 14, 2014	Chairman and executive Director	Directing the overall operation of the Board and performing his duties as a Director through the Board and the strategy committee
Ms. CHEN Man (陳漫女士)	56	January 1997	October 14, 2014	Executive Director and vice president	Responsible for the development of our corporate culture and outlet standardization, managing the human resources department and capital transactions department, and performing her duties as a Director through the Board, the related-party transactions control committee and the strategy committee
Ms. ZHAO Jie (趙傑女士)	60	January 1997	October 14, 2014	Executive Director and vice president	Responsible for managing the retail banking department, the operation management department, three basis and three smalls business management department and wealth management products management department, and performing her duties as a Director through the Board and the nomination and remuneration committee
Mr. WANG Jing (王晶先生)	47	January 1997	March 17, 2015	Executive Director, assistant to president and secretary to the Board	Responsible for the daily administration of the Board, performing his duties as a Director through the Board and managing investment banking & interbank department
Ms. WANG Xiaoyu (王曉宇女士)	47	May 2001	January 16, 2015	Executive Director and head of finance	Responsible for the daily operation of the financial management department and performing her duties as a Director through the Board

Name	Age	Time of joining our Bank	Date of appointment for current term	Position	Responsibility
Mr. LI Dongjun (李東軍先生)	57	May 2008	October 14, 2014	Non-executive Director	Performing his duties as a Director through the Board and the risk management committee
Mr. ZHANG Caiguang (張財廣先生)	53	November 2011	October 14, 2014	Non-executive Director	Performing his duties as a Director through the Board and the risk management committee
Mr. WU Zhengkui (吳正奎先生)	41	November 2011	October 14, 2014	Non-executive Director	Performing his duties as a Director through the Board
Ms. GU Jie (顧潔女士)	48	October 2014	October 14, 2014	Non-executive Director	Performing her duties as a Director through the Board
Mr. JIANG Daxing (蔣大興先生)	44	March 2011	October 14, 2014	Independent non-executive Director	Providing independent opinions and judgment to the Board and performing his duties as a Director through the related-party transactions control committee
Mr. DENG Xiaoyang (鄧小洋先生)	50	March 2011	October 14, 2014	Independent non-executive Director	Providing independent opinions and judgment to the Board and performing his duties as a Director through the audit committee and the nomination and remuneration committee
Ms. JIA Yuge (賈玉革女士)	46	March 2011	October 14, 2014	Independent non-executive Director	Providing independent opinion and judgment to the Board and performing her duties as a Director through the risk management committee and the strategy committee
Mr. NIU Sihu (牛似虎先生)	47	March 2011	October 14, 2014	Independent non-executive Director	Providing independent opinions and judgment to the Board and performing his duties as a Director through the audit committee and the nomination and remuneration committee

Name	Age	Time of joining our Bank	Date of appointment for current term	Position	Responsibility
Ms. JIANG Jian (姜健女士)	54	March 2011	October 14, 2014	Independent non-executive Director	Providing independent opinions and judgment to the Board and performing her duties as a Director through the audit committee and the related-party transactions control committee
Mr. CHOON Yew Khee (秦耀奇先生)	45	October 2014	October 14, 2014	Independent non-executive Director	Providing independent opinions and judgment to the Board

Note: Ms. Wang Chunjie (王春潔女士) and Ms. Zhu Xiaohui (朱曉慧女士) were appointed as directors of our Bank on October 14, 2014, and resigned as directors on December 8, 2014 and January 19, 2015, respectively.

DIRECTORS

Our Board has 15 Directors, comprising five executive Directors, four non-executive Directors and six independent non-executive Directors. Our Directors are appointed for a term of three years and are subject to re-election and/or re-appointment.

Executive Directors

Mr. ZHANG Wei (張偉), aged 57, has been a Director and chairman of the Board of our Bank since August 2002. He is currently in charge of the overall operation of the Board and performs his duties as a Director through the Board and the strategy committee. Mr. Zhang is also currently a member of the 12th National Committee of the Chinese People's Political Consultative Conference.

Mr. Zhang has over 23 years of experience in the banking industry and over 23 years of experience in corporate management. Before joining our Bank, Mr. Zhang served as head of Lingyun Urban Credit Cooperative of Jinzhou City* (錦州市凌雲城市信用社) from September 1991 to May 1993. He served as deputy head of Jinzhou City Urban Credit United Cooperative* (錦州市城市信用聯社) from May 1993 to January 1997, as vice president of our Bank from January 1997 to May 1998 and as president of our Bank from May 1998 to December 2012.

Mr. Zhang obtained a master's degree in economics from Liaoning University* (遼寧大學) in Liaoning, the PRC in July 1997. He has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since September 1998. In addition, Mr. Zhang was awarded the "Nationwide May 1st Labor Medal* (全國五一勞動獎章)" from the All China Federation of Labor Unions* (中華全國總工會) in April 2004. He was also awarded titles including the "Liaoning Top 10 Finance Person For the Year 2006* (2006年度遼寧十大財經人物)" jointly awarded by various institutions, including Liaoning Science and Technology Bureau* (遼寧省科學技術廳), Liaoning Small and Medium Enterprises Bureau* (遼寧省中小企業廳) and Liaoning Banking Association* (遼

寧省銀行業協會) in January 2007, "National Top 10 Honest Persons of Outstanding Ability in 2006* (2006年中國十大誠信英才)" issued by *China's Talents*, the "Advanced Individual in respect of the Small Business Financial Services of National Banking Financial Institutions (全國銀行業金融機構小企業金融服務先進個人)" issued by the CBRC in February 2011. He had received the special allowance awarded by the State Council* (國務院特殊津貼) from 2010 to 2011, and was awarded the "Outstanding Contribution Award* (突出貢獻獎)" awarded by *Rural Finance Times** (農村金融時報社) and China Micro Credit Alliance* (中國小額信貸聯盟) in April 2012 and the "Best Individual for the Development of National Small and Medium Services Provider* (全國服務中小企業發展先進個人)" granted by the China Association of Small and Medium Commercial Businesses* (中國中小商業企業協會) in December 2014.

Ms. CHEN Man (陳漫), aged 56, has been a Director of our Bank since May 1998 and as vice president of our Bank since June 2004. She is currently responsible for the development of our corporate culture and outlet standardization, managing our human resources department and capital transactions department, and performing her duties as a Director through the Board, the related-party transactions control committee and the strategy committee.

Ms. Chen has over 23 years of experience in the banking industry. Ms. Chen served as deputy head of Lingyun Urban Credit Cooperative of Jinzhou City* (錦州市凌雲城市信用社) from July 1991 to August 1995, president of Lingyun sub-branch of our Bank from August 1995 to February 2001, chief economist of our Bank from February 2001 to April 2004 and president of our Tianjin branch from December 2008 to June 2014.

Ms. Chen completed an undergraduate course in management engineering and graduated from the Northeastern University Liaoning branch* (東北大學遼寧分校) in Liaoning, the PRC in July 1993. Ms. Chen obtained an EMBA degree (part-time) from Tianjin University* (天津大學) in Tianjin, the PRC in June 2011. She has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since August 2001.

Ms. ZHAO Jie (趙傑), aged 60, has been a Director of our Bank since May 2008, our Bank's deputy party secretary since December 2010 and vice president of our Bank since February 2015. She is currently responsible for managing the retail banking department, the operation management department, three basis and three smalls business management department and wealth management products management department, and performing her duties as a Director through the Board and the nomination and remuneration committee.

Ms. Zhao has over 20 years of experience in the banking industry. Ms. Zhao served successively in various positions such as executive, head assistant, deputy director, head of the committee of the party office, deputy secretary of general party branch, vice president and president of the labor union of our Bank from April 1995 to December 2010.

Ms. Zhao completed a full-time course in mechanical studies and graduated from Liaoning Radio and TV University* (遼寧廣播電視大學) in Liaoning, the PRC in June 1981. She also graduated from the correspondence college of the Party School of the Central Committee of C.P.C.* (中共中央黨校函授學院) majoring in economic and management studies in December 1998. Ms. Zhao has been accredited as an economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since September 1994, and has been accredited as a senior ideological and political worker* (高級政工師) by the senior professional appointment qualification evaluation committee for corporate ideological and political workers of Liaoning Province since August 1997.

Mr. WANG Jing (王晶), aged 46, has been secretary to the Board since November 2004, head of office of the Board since April 2009, assistant to president since April 2013 and an executive Director since March 2015. Mr. Wang is currently in charge of the daily administration of the Board and investment banking & interbank department.

Mr. Wang has over 20 years of experience in the banking industry. Mr. Wang served as clerk of the savings section in Jinzhou City Urban Credit United Cooperative* (錦州城市信用聯社) from July 1994 to February 1997 and section chief of the accounting section of our Bank's operation management department from February 1997 to March 1998. He also served as section chief of the savings section of our Bank's operation management department from March 1998 to August 1998, head of the deposits department and head of the research and development department of our Bank from August 1998 to March 2000 and from March 2000 to April 2009, respectively. In addition, Mr. Wang was a Director of our Bank from August 2008 to October 2014.

Mr. Wang completed an undergraduate course in oil engineering and graduated from Zhengzhou Grain College* (鄭州糧食學院) in Henan, the PRC in March 1991. He has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since September 2002.

Ms. WANG Xiaoyu (王曉宇), aged 46, has been our Bank's head of finance since November 2004 and an executive Director of our Bank since January 2015. Ms. Wang is currently in charge of the daily operation of the financial management department and performing her duties as a Director through the Board.

Ms. Wang has over 25 years of experience in the banking industry and approximately 10 years of experience in finance management. Ms. Wang served as head of the operation department in Tiefa Branch of China Construction Bank* (中國建設銀行鐵法支行) from August 1989 to May 2001, vice president in Chengnei sub-branch of our Bank from May 2001 to June 2003 and vice president in Shanghai Road sub-branch of our Bank from June 2003 to November 2004, respectively. Ms. Wang served as a Director of our Bank from August 2008 to October 2014.

Ms. Wang completed an undergraduate course in economics and graduated from Dongbei University of Finance and Economics* (東北財經大學) in Liaoning, the PRC in July 1989. She also completed a postgraduate MBA course (distance learning) from Guanghua School of Management, Peking University* (北京大學光華管理學院) in November 2003. She has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since September 2002.

Non-executive Directors

Mr. LI Dongjun (李東軍), aged 57, has been a Director of our Bank since May 2008. Mr. Li has also served as chairman of and the board of directors of Jincheng International Logistics Group Co., Ltd.* (錦程國際物流集團股份有限公司) since September 1993. Mr. Li has over 20 years of experience in corporate management.

Mr. Li completed a postgraduate course in business economics and graduated from Dongbei University of Finance and Economics*(東北財經大學) in Liaoning, the PRC in July 1998.

Mr. ZHANG Caiguang (張財廣), aged 53, has been a Director of our Bank since November 2011. Mr. Zhang has also served as secretary to the Board and deputy general manager and director of Beijing Urban Construction Investment Development Co., Ltd.* (北京城建投資發展股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600266), since June 2006 and since June 2009, respectively, and deputy secretary-general of the Listed Companies Association of Beijing* (北京上市公司協會) since July 2009.

Mr. Zhang has over 18 years of experience in corporate management. Mr. Zhang worked at the financial department of Beijing Urban Construction Group* (北京城建集團公司) from April 1993 to December 1998, and served as deputy head and head of the investment and security department of the Beijing Urban Construction Group* (北京城建股份有限公司) from January 1999 to July 2000 and from July 2000 to April 2001, respectively, manager of the investment and security department of the Beijing Urban Construction Investment Development Co,. Ltd. from April 2001 to March 2005, assistant to general manager of the Beijing Urban Construction Investment Development Co., Ltd., executive vice president of Beijing Urban Construction Zhongji Industrial Development Co., Ltd.* (北京城建中稷實業發展有限公司) from March 2005 to May 2006.

Mr. Zhang completed a junior college course in finance and accounting (part-time) and graduated from Beijing Radio and TV University* (北京廣播電視大學) in Beijing, the PRC in July 1997. He also completed an undergraduate course in economics management and graduated from the correspondence college of the Party School of the Central Committee of C.P.C.* (中共中央黨校函授學院) in December 2000. Mr. Zhang has been accredited as an intermediary accountant by Beijing Urban Construction Group* (北京城建集團公司) since July 1993.

Mr. WU Zhengkui (吳正奎), aged 40, has been a Director of our Bank since November 2011. Mr. Wu has also served concurrently as financial manager, assistant to general manager of the finance department and deputy general manager of the finance department of Greenland Holding Group Company Limited* (綠地控股集團有限公司) since January 2004, supervisor of Shanghai Greenland Financial Investment Holdings Co., Ltd.* (上海綠地金融投資控股有限公司) since June 2011, a director of Shanghai Yunfeng (Group) Co., Ltd.* (上海雲峰集團有限公司) since October 2009 and an executive director of SPG Land (Holdings) Limited (盛高置地(控股)有限公司 currently known as Greenland Hong Kong Holdings Ltd.* (綠地香港控股有限公司)), a company listed on the Hong Kong Stock Exchange (stock code: 0337), since August 2013, a director of Shanghai Rural Commercial Bank* (上海農商銀行股份有限公司) since February 2012 and a supervisor of Shanghai Orient

Securities Company Limited (上海東方證券股份有限公司) since March 2012. Mr. Wu has also served as a non-executive director of China Rundong Auto Group Limited (中國潤東汽車集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1365), since August 2015. Mr. Wu has over 11 years of experience in finance.

Mr. Wu obtained a bachelor's degree in engineering from Liaoning University of Engineering and Technology* (遼寧工程技術大學) in Liaoning, the PRC in July 1998 and a master's degree (part-time) in accounting from Management School of Fudan University* (復旦大學管理學院) in Shanghai, the PRC in June 2008. He has been accredited as an intermediary accountant by the MOF since May 2004.

Ms. GU Jie (顧潔), aged 48, has been a non-executive Director of our Bank since October 2014. Ms. Gu has also served as vice general manager of Beijing Fulaige Investment Co., Ltd.* (北京浮萊格投資有限公司) since November 2008.

Ms. Gu has approximately 10 years of experience in corporate management. Ms. Gu served as head of asset management department of Bairong Investment Holding Group Co., Ltd.* (百榮投資控股集團有限公司) from September 2005 to November 2008.

Ms. Gu completed a junior college course in finance and graduated from China University of Science and Technology Management* (中國科技經營管理大學) in Beijing, the PRC in July 1989.

Independent Non-Executive Directors

Mr. JIANG Daxing (蔣大興), aged 44, has been an independent Director of our Bank since March 2011. Mr. Jiang has also worked in the Law School of Peking University* (北京大學法學院) since February 2008. He has served as professor in the Law School of Peking University* (北京大學法學院) since February 2014 and doctoral advisor in the Law School of Peking University* (北京大學法學院) and head of the China Enterprise Legal Risk Management Research Centre of Peking University* (北京大學中國企業法律風險管理研究中心). Mr. Jiang has served as independent director or external director in several companies, including Hubei Radio & Television Information Network Co., Ltd.* (湖北省廣播電視信息網絡股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000665), since November 2012, Beihai Yinhe Industry Investment Co., Ltd.* (北海銀河產業投資股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000806), since January 2014, and Beijing Automotive Group Co., Ltd* (北京汽車集團有限公司) since February 2015.

Mr. Jiang served successively as court clerk and assistant judge in the Intermediary People's Court of Shaoyang City, Hunan Province* (湖南省邵陽市中級人民法院) from July 1993 to September 1996, and as tutor, lecturer, associate professor, professor and deputy dean of the Law School of Nanjing University* (南京大學法學院) from July 1999 to February 2008. Mr. Jiang served as researcher in the Law School of Peking University from March 2008 to January 2014.

Mr. Jiang obtained a master's degree in economic law from Law School of Nanjing University* (南京大學法學院) in Jiangsu, the PRC in June 1999 and a doctor's degree in economic law from Law School of Nanjing University* (南京大學法學院) in Jiangsu, the PRC in September 2006.

Mr. DENG Xiaoyang (鄧小洋), aged 50, has been an independent Director of our Bank since March 2011.

Mr. Deng previously served teaching positions in the School of Accounting of Hunan College of Finance and Economic* (湖南財經學院會計系) from August 1994 to April 2000, and in Hunan University* (湖南大學) from April 2000 to April 2007, respectively. Mr. Deng served teaching and researching positions in the Scientific and Research Section of School of Accounting of Shanghai Lixin University of Commerce* (上海立信會計學院會計學系) from May 2007 to October 2014. Mr. Deng held the position of independent director in several companies, including Hunan Gaea Gem Co., Ltd.* (湖南金健米業股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600127), from August 2003 to April 2005, Changsha Lyrun Material Co., Ltd.* (長沙力元新材料股份有限公司), currently known as Hunan Corun New Energy Co., Ltd.* (湖南科力遠新能源股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600478), from March 2002 to June 2008, Hunan Copote Science & Technology Co., Ltd.* (湖南湘郵科技股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600476), from April 2004 to May 2010, and Hunan Sunward Intelligent Equipment Co., Ltd.* (湖南山河智能機械股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 002097), from April 2004 to April 2010.

Mr. Deng obtained a doctor's degree in management from Shanghai University of Finance and Economics* (上海財經大學) in Shanghai, the PRC in February 2001. Mr. Deng has been accredited as a professor by Hunan University* (湖南大學) since June 2002.

Ms. JIA Yuge (賈玉革), aged 46, has been an independent Director of our Bank since March 2011. Ms. Jia has served as teacher and vice dean of Graduate School of Central University of Finance and Economics* (中央財經大學研究生院) since March 1997 and May 2010, respectively.

Ms. Jia obtained a bachelor's degree in economics from Nankai University* (南開大學) in Tianjin, the PRC in July 1991, a master's degree (part-time) in economics from Central University of Finance and Economics* (中央財經大學) in Beijing, the PRC in March 1997 and a doctor's degree (part-time) in economics from Central University of Finance and Economics* (中央財經大學) in Beijing, the PRC in June 2005. Ms. Jia has been accredited as a professor by Central University of Finance and Economics* (中央財經大學) since November 2009.

Mr. NIU Sihu (牛似虎), aged 47, has been an independent Director of our Bank since March 2011. Mr. Niu has also served as deputy dean of the School of Economic Law of Bohai University* (渤海大學經法學院) since July 2014.

Mr. Niu worked in the investment school of Liaoning Business Junior College* (遼寧商業高等專科學校) (currently known as the School of Management in Bohai University* (渤海大學管理學院)) from August 2003 to June 2014, successively as teacher, associate professor and professor.

Mr. Niu completed an undergraduate course in engineering and graduated from Northwest Polytechnical University* (西北工業大學) in Shaanxi, the PRC in July 1990. He also obtained a doctor's degree in economics from the School of Economics of Liaoning University* (遼寧大學) in Liaoning, the PRC in June 2011. Mr. Niu has been accredited as a professor by the Department of Human Resource and Social Security of Liaoning Province* (遼寧省人力資源和社會保障廳) since December 2010.

Ms. JIANG Jian (姜健), aged 54, has been an independent Director of our Bank since March 2011. She has also served as teacher in Liaoning University of Technology* (遼寧工業大學, formerly known as Liaoning Engineering College* (遼寧工學院)) since July 1983. Ms. Jiang also served as executive director of Commerce Statistical Society of China* (中國商業統計學會) from December 2009 to December 2014.

Ms. Jiang obtained a bachelor's degree in science from Dalian College of Technology* (大連工學院, currently known as Dalian University of Technology* (大連理工大學)) in Liaoning, the PRC in July 1983, a master's degree in engineering from Jilin University of Technology* (吉林工業大學) in Jilin, the PRC in April 1996 and a doctor's degree in management from China Academy of Sciences* (中國科學院) in Beijing, the PRC in July 2005. Ms. Jiang has been accredited as a professor recognized by the Personnel Department of Liaoning Province* (遼寧省人事廳) since August 2001.

Mr. CHOON Yew Khee (秦耀奇), aged 45, has been an independent non-executive Director of our Bank since October 2014. Mr. Choon also served as head of Asia-Pacific region of GAM Hong Kong Limited since November 2013.

Mr. Choon served successively as director of institutional business and head of retail business in Asia (excluding Japan) of Citigroup Asset Management, Hong Kong, from December 1999 to July 2006, as head of North Asia business of Lehman Brothers Investment Management, Hong Kong, from July 2006 to March 2008 and as managing director of Lazard Asset Management, Hong Kong, from April 2008 to October 2013.

Mr. Choon obtained a bachelor's degree in business administration from the City University of New York in the United States in September 1992. Mr. Choon has been accredited as a chartered financial analyst by the Association for Investment Management and Research since September 2002.

SUPERVISORS

Name	Age	Time of joining our Bank	Date of appointment for current term	Position	Responsibility
Mr. NING Yongfang (寧永芳先生)	58	November 2006	October 14, 2014	Chairman of Board of Supervisors, employee representative Supervisor	Taking charge of the work of the Board of Supervisors and supervising our Board and senior management on behalf of our employees
Mr. XU Fei (徐飛先生)	51	January 1999	October 14, 2014	Vice chairman of Board of Supervisors, employee representative Supervisor	Supervising our Board and senior management on behalf of our employees
Ms. LUO Yan (羅岩女士)	45	January 1997	October 14, 2014	Employee representative Supervisor	Supervising our Board and senior management on behalf of our employees and performing her duties as a Supervisor through the nomination committee of the Board of Supervisors
Ms. SHI Hongmiao (史紅淼女士)	36	March 1997	October 14, 2014	Employee representative Supervisor	Supervising our Board and senior management on behalf of our employees
Ms. LI Xiu (李秀女士)	42	January 1997	October 14, 2014	Employee representative Supervisor	Supervising our Board and senior management on behalf of our employees
Mr. TIAN Deying (田德營先生)	62	May 2008	October 14, 2014	Shareholder representative Supervisor	Supervising our Board and senior management on behalf of our shareholders and performing his duties as a Supervisor through the supervising committee of the Board of Supervisors
Mr. HE Baosheng (何寶生先生)	68	January 1997	October 14, 2014	Shareholder representative Supervisor	Supervising our Board and senior management on behalf of our shareholders

Name	Age	Time of joining our Bank	Date of appointment for current term	Position	Responsibility
Ms. ZHAO Lanying (趙蘭英女士)	51	October 2014	October 14, 2014	Shareholder representative Supervisor	Supervising our Board and senior management on behalf of our shareholders
Mr. JING Fei (靖飛先生)	42	March 2011	October 14, 2014	External Supervisor	Supervising our Board and senior management and performing his duties as a Supervisor through the supervising committee of the Board of Supervisors
Ms. CHEN Yingmei (陳英梅女士)	45	March 2011	October 14, 2014	External Supervisor	Supervising our Board and senior management and performing her duties as a Supervisor through the nomination committee of the Board of Supervisors
Ms. NIE Ying (聶穎女士)	45	October 2014	October 14, 2014	External Supervisor	Supervising our Board and senior management and performing her duties as a Supervisor through the supervising committee of the Board of Supervisors
Ms. LI Tongyu (李彤煜女士)	44	October 2014	October 14, 2014	External Supervisor	Supervising our Board and senior management
Ms. ZHAO Hongxia (趙宏霞女士)	36	October 2014	October 14, 2014	External Supervisor	Supervising our Board and senior management and performing her duties as a Supervisor through the nomination committee of the Board of Supervisors

Our Board of Supervisors has 13 Supervisors, consisting of three shareholder representative Supervisors, five employee representative Supervisors and five external Supervisors.

Mr. NING Yongfang (寧永芳), aged 58, has been appointed as our employee representative Supervisor of our Bank since October 2010, and as chairperson of our Board of Supervisors since then.

Mr. Ning was appointed as member of the standing committee of Jinzhou Discipline Inspection Commission* (錦州市紀律檢查委員會) in February 2003. Mr. Ning also served as deputy party secretary of our Bank from November 2006 to October 2010 and concurrently as secretary of discipline inspection commission of our Bank from August 2008 to October 2010.

Mr. Ning completed an graduate course in scientific socialism of law department and graduated from Liaoning Normal University* (遼寧師範大學) in Liaoning, the PRC in September 2010.

Mr. XU Fei (徐飛), aged 51, has been appointed as our employee representative Supervisor since May 2008, and as vice chairman of the Board of Supervisors since May 2013. Mr. Xu has served concurrently as general manager of our Bank's legal affairs department since March 2011.

Mr. Xu was vice chief of our Bank's Asset Preservation Section* (資產保全部) from January 2001 to February 2002, and chief of our Bank's Asset Preservation Section from March 2002 to March 2011.

Mr. Xu completed a continuous learning course (distance learning) under the Business Administration Graduate Program* (工商管理研究生課程) by Peking University in November 2003 and completed an undergraduate course in law and graduated from Bohai University* (渤海大學) in Liaoning, the PRC in January 2006. He has obtained a lawyer's qualification certificate issued by the Ministry of Justice of the PRC* (中華人民共和國司法部) since April 1997, and has been accredited as an economist by our Bank from July 2001 to July 2004.

Ms. LUO Yan (羅岩), aged 45, has been appointed as our employee representative Supervisor since October 2014, and as vice president of Jinzhou Branch of our Bank since December 2013.

Ms. Luo has served as deputy director and director of credit management department of our Bank from January 1998 to June 2004, director of the credit approval department and director of international business department of our Bank from July 2004 to February 2008, general manager of business department and general manager of international business department of our Bank from March 2008 to November 2013.

Ms. Luo obtained a bachelor's degree (correspondence course) in management from Bohai University* (渤海大學) in Liaoning, the PRC in October 2010. She has been accredited as a senior accountant by our Bank since April 2008.

Ms. SHI Hongmiao (史紅淼), aged 36, has been appointed as our employee representative Supervisor since October 2014. Ms. Shi has also served as vice president of Jinzhou branch of our Bank since December 2014.

Ms. Shi has been working in our Bank since she joined us in March 1997. Ms. Shi served as clerk of central office of Lingyun sub-branch of our Bank from March 1997 to October 1997, director of municipal Party committee south office of Lingyun sub-branch of our Bank from November 1997 to January 2001, director of savings counters of Lingyun sub-branch of our Bank from February 2001 to March 2009, director of wealth center of our Bank from November 2006 to March 2009, director of the secondary branch of Luoyang Road sub-branch of our Bank from September 2006 to November 2006, vice president of Lingyun sub-branch of our Bank from April 2009 to July 2009, vice general manager of our Bank's retail bank department from August 2009 to January 2010, general manager of the retailing bank department in our Bank's Shenyang branch from February 2010 to October 2010, assistant to president in our Bank's Shenyang branch from November 2010 to April 2011, general manager of retail bank department in our Bank's Jinzhou branch from May 2011 to October 2013 and assistant to president and general manager of operation department in our Bank's Jinzhou branch from November 2013 to November 2014.

Ms. Shi completed an undergraduate course in finance and graduated from China Central Radio & TV University* (中央廣播電視大學) in Beijing, the PRC in November 2003. She has been accredited as an intermediary accountant by the MOF since May 2000.

Ms. LI Xiu (李秀), aged 42, has been appointed as our employee representative Supervisor since May 2008. Ms. Li has also served as head of office of Jinzhou branch of our Bank since October 2013.

Ms. Li worked as bookkeeper of accounting department in the Railway branch of our Bank from April 1992 to September 1995. She served as office clerical employee and administrative accountant from October 1995 to October 2005. Ms. Li served as vice president of Gaoxin Sub-branch of our Bank from November 2005 to February 2011 and as deputy general manager of financing plan department of Jinzhou branch of our Bank from February 2011 to September 2013.

Ms. Li completed an undergraduate course in economics management and graduated from the correspondence school of Party School of the Central Committee of C.P.C.* (中共中央黨校) in December 2000. She has been accredited as an economist recognized by the Ministry of Personnel of the PRC* (中華人民共和國人事部) since November 2001.

Mr. TIAN Deying (田德營), aged 62, has been appointed as our shareholder representative Supervisor since May 2008. Mr. Tian has been a director of Beizhen Yimin, a subsidiary of our Bank, since March 2011, head of Jinzhou Asphalt Factory Beizhen* (錦州市瀝青廠) since January 1996, and chairman of Liaoning Deying Petrochemical Group Co., Ltd.* (遼寧德營石油化工集團有限公司) since June 2002.

Mr. Tian completed a junior college course in industrial business management and graduated from the Cadre College of Economics and Management of Liaoning* (遼寧經濟管理幹部學院) in Liaoning, the PRC in July 1989. He obtained a master's degree in industrial economics from the Graduate School of Chinese Academy of Social Sciences* (中國社會科學院研究生院) in Beijing, the PRC in July 1998. Mr. Tian has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since June 1995.

Mr. HE Baosheng (何寶生), aged 68, has been appointed as our shareholder representative Supervisor since October 2014. He has also served as chairman of Jinzhou Jinhua Co., Ltd.* (錦州錦華股份有限公司) since December 2001. Mr. He also served as a Director of our Bank from January 1997 to October 2014.

Mr. He graduated from correspondence college of Liaoning University* (遼寧大學函授學院) in economics and management in Liaoning, the PRC in September 1984. He has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since September 1992.

Ms. ZHAO Lanying (趙蘭英), aged 51, has been appointed as our shareholder representative Supervisor since October 2014. Ms. Zhao has been appointed as vice president of Jinzhou Watson Asset Management (Group) Limited Company* (錦州華信資產經營(集團)有限公司) since April 2012.

Ms. Zhao served as member of the Party committee and chief accountant of Jinzhou City Metal Materials Co., Ltd.* (錦州市金屬材料總公司) from 2010 to April 2011 and member of the Party committee, deputy general manager and chief accountant of the same company from May 2011 to March 2012.

Ms. Zhao completed an MBA course (part-time) from the Party School of C.P.C. of Liaoning Province* (中共遼寧省委黨校) in Liaoning, the PRC in December 2012. Ms. Zhao has been accredited as an accountant by the Personnel Department of Liaoning Province* (遼寧省人事廳) since October 1994.

Mr. JING Fei (靖飛), aged 41, has been appointed as our external Supervisor since March 2011. Mr. Jing has also served teaching and researching positions in the School of Management of Bohai University* (渤海大學管理學院) since July 2008 and as professor since October 2014.

Mr. Jing served as inspector of Discipline Inspection Group of Agricultural Council accredited by Jiangsu Discipline Inspection Commission* (江蘇省紀委駐省農業委員會紀律檢查組) from August 1997 to April 2001, clerk of Jiangsu Green Food Office* (江蘇省綠色食品辦公室) from April 2001 to September 2004, teacher in the School of Economics in Anhui University of Technology* (安徽工業大學經濟學院) from July 2007 to July 2008.

Mr. Jing obtained a bachelor's degree in food engineering from Nanjing Agricultural University* (南京農業大學) in Jiangsu, the PRC in July 1997, an MBA degree (part-time) from Business School of Nanjing University* (南京大學商學院) in Jiangsu, the PRC in June 2004 and a doctor's degree in rural development from Nanjing Agricultural University* (南京農業大學) in Jiangsu, the PRC in June 2007. Mr. Jing also obtained a post doctor certificate in agricultural and forestry economics management in Chinese Academy of Social Science* (中國社會科學院) from the National Postdoctoral Management Committee* (全國博士後管理委員會) in August 2012. He has been accredited as associate professor and was appointed as professor by the Personnel Department of Liaoning Province* (遼寧省人事廳), and Bohai University* (渤海大學) respectively in September 2009 and October 2014.

Ms. CHEN Yingmei (陳英梅), aged 45, has been appointed as our external Supervisor since March 2011. She has also served as associate professor of the Management School of Liaoning University of Technology* (遼寧工業大學管理學院) since October 2009.

Ms. Chen successively served as assistant lecturer, lecturer and associate professor in Liaoning Province Jinzhou Grain College* (遼寧省錦州糧食學校) (currently known as the Economics and Management Faculty of Liaoning University of Technology* (遼寧工業大學經濟管理學院)) from September 1992 to October 2009.

Ms. Chen obtained a bachelor's degree in economics from Dongbei University of Finance and Economics* (東北財經大學) in Liaoning, the PRC in July 1992 and a master's degree in management from Dalian University of Technology* (大連理工大學) in Liaoning, the PRC in June 2001. She has been accredited as an associate professor by the Personnel Department of Liaoning Province* (遼寧省人事廳) since August 2002.

Ms. NIE Ying (聶穎), aged 45, has been appointed as our external Supervisor since October 2014. She has also served as professor of the School of International Business in Shenyang Normal University* (瀋陽師範大學國際商學院) since January 2014.

Ms. Nie served as staff and business manager of the securities administration department in Jinzhou Port Co., Ltd.* (錦州港股份有限公司) from July 1993 to May 2000, and vice professor of College of International Business in Shenyang Normal University* (瀋陽師範大學國際商學院) from September 2003 to December 2013.

Ms. Nie obtained a bachelor's degree in industrial foreign trade from Liaoning Institute of Technology* (遼寧工學院) in Liaoning, the PRC in July 1993 and graduated from a postgraduate course (part-time) of investment and economics in the Graduate School of the Chinese Academy of Social Sciences* (中國社會科學院研究生院) in Beijing, the PRC in April 1998. She obtained a master's degree in economics from the Graduate School of Chinese Academy of Social Sciences* (中國社會科學院研究生院) in Beijing, the PRC in June 2007 and a doctor's degree in finance from Liaoning University* (遼寧大學) in Liaoning, the PRC in June 2011. Ms. Nie has been accredited as a professor by Shenyang Normal University* (瀋陽師範大學) since December 2013.

Ms. LI Tongyu (李彤煜), aged 43, has been appointed as our external Supervisor since October 2014. She has also served as a teacher and an associate professor of Liaoning University of Technology* (遼寧工業大學) since August 1993 and August 2004, respectively.

Ms. Li graduated from an undergraduate course of industrial management engineering from Liaoning Institute of Technology* (遼寧工學院) in Liaoning, the PRC in July 1993 and obtained a master's equivalent degree in enterprise management from Capital University of Economics and Business* (首都經濟貿易大學) in Beijing, the PRC in July 2001. She has been accredited as an associate professor by the Personnel Department of Liaoning Province* (遼寧省人事廳) since August 2004.

Ms. ZHAO Hongxia (趙宏霞), aged 36, has been appointed as our external Supervisor since October 2014. She has also served teaching and research positions in the School of Management of Bohai University* (渤海大學管理學院) since March 2013.

Ms. Zhao served teaching and research positions in Liaoning University of Engineering and Technology* (遼寧工程技術大學) from April 2005 to February 2013.

Ms. Zhao obtained a bachelor's degree in management from Liaoning University of Engineering and Technology* (遼寧工程技術大學) in Liaoning, the PRC in July 2002, a master's degree in management from Liaoning University of Engineering and Technology* (遼寧工程技術大學) in Liaoning, the PRC in March 2005 and a doctor's degree in management from Liaoning University of Engineering and Technology* (遼寧工程技術大學) in Liaoning, the PRC in January 2010.

SENIOR MANAGEMENT

Name	Age	Time of joining our Bank	Date of appointment	Position	Responsibility
Mr. HUO Lingbo (霍凌波先生)	58	January 1997	October 14, 2014	Executive vice president (acting for President's duties)	Taking charge of our overall daily business and operation management, and the operation of the committee of party office
Mr. CAI Hongguang (才洪光先生)	55	January 1997	October 14, 2014	Vice president	Taking charge of the strategy development department, the international business department, and the village and township banking management department
Mr. GUO Guang (郭光先生)	55	January 1997	October 14, 2014	Vice president	Taking charge of the president's office, the integrated affairs department and the E-banking department
Ms. LIU Hong (劉泓女士)	51	April 1999	October 14, 2014	Vice president	Taking charge of the information technology department and financial management department
Mr. LIU Wenzhong (劉文忠先生)	53	January 1997	October 14, 2014	Vice president	Taking charge of the operation of Beijing branch

Name	Age	Time of joining our Bank	Date of appointment	Position	Responsibility
Ms. SONG Yaping (宋亞萍女士)	52	December 2010	October 14, 2014	Chief Accountant	Taking charge of the internal audit department of the audit committee under the Board
Mr. WANG Xin (王昕先生)	39	July 1999	October 14, 2014	Assistant to President	Taking charge of the credit management department and the credit review department, the risk and compliance department and corporate business department

Mr. HUO Lingbo (霍凌波), aged 58, has been appointed as our executive vice president (acting for president's duties) since December 2012, and as party secretary of our Bank since December 2006. Mr. Huo is responsible for our overall daily business and operation management, and the operation of the committee of Party office of our Bank.

Mr. Huo has over 25 years of experience in the banking industry and over 12 years of experience in management. Mr. Huo served as deputy head and head of Jinzhong Urban Credit Cooperative* (錦中城市信用社) from February 1989 to February 1992 and from February 1992 to August 1995, respectively. Mr. Huo also served as vice president and deputy party secretary of our Bank from August 1995 to December 2006 and from April 2004 to December 2006, respectively.

Mr. Huo graduated from the Liaoning Radio and TV University* (遼寧廣播電視大學) majoring in electronics in Liaoning, the PRC in August 1985 and graduated from a postgraduate course (part-time) of economics management in the Party School of C.P.C. of Liaoning Province* (中共遼寧省黨校) in Liaoning, the PRC in July 1996. He has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since August 1996.

Mr. CAI Hongguang (才洪光), aged 55, has been appointed as our vice president since August 2004. He is currently in charge of the strategy development department, the international business department, and the village and township banking management department of our Bank.

Mr. Cai has over 22 years of experience in the banking industry. Mr. Cai served as deputy division head of the credit department and the auditing department of Jinzhou Urban Credit Union* (錦州市城市信用聯社), respectively, from January 1993 to March 1993 and from March 1993 to April 1994, and continued to act as section chief of the credit section and deputy division head of the sales section of Jinzhou Urban Credit Union* (錦州市城市信用聯社) from February 1995 to February 1997. He acted as president and chief auditor of Yongfeng sub-branch of our Bank from February 1997 to February 2001 and February 2001 to August 2004.

Mr. Cai completed a postgraduate course in political economics and graduated from Liaoning Normal University* (遼寧師範大學) in Liaoning, the PRC in July 2002. Mr. Cai has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since June 1997.

Mr. GUO Guang (郭光), aged 55, has been appointed as our vice president since January 2007. He is currently in charge of the president's office, the integrated affairs department and the E-banking department.

Mr. Guo has more than 22 years of experience in the banking industry. Mr. Guo served as coordinator at the planning department of Jinzhou Urban Credit Union* (錦州市城市信用聯社) from July 1992 to September 1993, and served as vice director of Jinzhou Linghe Credit Union* (錦州市淩河信用社) from September 1993 to February 1994. Mr. Guo was deputy division head of the deposit division and accounting division of Jinzhou Urban Credit Union* (錦州市城市信用聯社), respectively, from February 1994 to February 1996 and from February 1996 to March 1997, and acted as deputy division head of the planning division of our Bank from March 1997 to March 1998. He served as head of the planning and finance department from March 1998 to March 2003, head of the finance and management committee under the Board from March 2003 to June 2004, deputy chief accountant from June 2004 to June 2005 and chief economist from June 2005 to December 2006, of our Bank.

Mr. Guo completed an undergraduate course (by correspondence) in economics management and graduated from the Party School of the Central Committee of C.P.C.* (中共中央黨校) in December 2000. He has been accredited as a senior economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since December 2003.

Ms. LIU Hong (劉泓), aged 51, has been appointed as our vice president since November 2009. She is currently in charge of the information technology department and the financial management department.

Ms. Liu has over 20 years of experience in the banking industry. Ms. Liu worked as teacher at Jinzhou Teachers Training College* (錦州師範高等專科學校) from August 1985 to December 1994 and was head of "Sanba" savings office* ("三八"儲蓄所) of Chengnei sub-branch of Jinzhou branch of Industrial and Commercial Bank of China* (中國工商銀行錦州分行城內支行) from December 1994 to April 1999. She served as head of our Bank's marketing department and assistant to our president from March 2002 to August 2008 and from August 2008 to November 2009, respectively.

Ms. Liu completed an undergraduate course in political education (by correspondence) and graduated from Jinzhou Normal University* (錦州師範學院) in Liaoning, the PRC in July 1991. She also completed a postgraduate course in political economics and graduated from Liaoning Normal University* (遼寧師範大學) in Liaoning, the PRC in July 2002. She has been accredited as a senior engineer by Personnel Department of Liaoning* (遼寧省人事廳) since October 2008.

Mr. LIU Wenzhong (劉文忠), aged 53, has been appointed as our vice president since April 2013, and as president of Beijing branch of our Bank since March 2011. He is currently in charge of the operation of Beijing branch of our Bank.

Mr. Liu has over 23 years of experience in the banking industry. Mr. Liu worked as clerk and section chief of the credit section in Lingyun Urban Credit Cooperative* (凌雲城市信用社) from January 1992 to March 1996, vice president of Lingyun sub-branch of our Bank from March 1996 to March 2002, president of Lingyun sub-branch of our Bank from March 2002 to July 2011, and assistant to president of our Bank from March 2011 to May 2013. Mr. Liu worked as vice president of Beijing branch of our Bank from July 2011 to January 2012.

Mr. Liu completed a junior college course in electric automation and graduated from Liaoning Radio and TV University* (遼寧廣播電視大學) in Liaoning, the PRC in July 1987. He also completed a postgraduate course in industrial economics and graduated from Capital University of Economics and Business* (首都經濟貿易大學) in Beijing, the PRC in July 2001. Mr. Liu has been accredited as an economist by the Personnel Department of Liaoning Province* (遼寧省人事廳) since February 1995.

Ms. SONG Yaping (宋亞萍), aged 52, has been appointed as our chief accountant since December 2012. She is currently in charge of the internal audit department of the audit committee under the Board.

Ms. Song has over 25 years of experience in auditing. Ms. Song worked in Jinzhou Municipal Auditing Bureau* (錦州市審計局) from June 1989 to December 2010. Ms. Song served as general auditor of our Bank from December 2010 to December 2012.

Ms. Song completed an undergraduate course in economics management and graduated from the Party School of C.P.C. of Liaoning Province* (中共遼寧省委黨校) in Liaoning, the PRC in July 2005. She has been accredited as a senior auditor by Liaoning Provincial Audit Office* (遼寧省審計廳) since August 1998.

Mr. WANG Xin (王昕), aged 39, has been appointed as assistant to president of our Bank since February 2012. He is currently in charge of the credit management department and the credit review department, the risk and compliance department and the corporate business department of our Bank.

Mr. Wang has over 15 years of experience in the banking industry. He served successively as an employee in our Bank's bank card department from July 1999 to March 2000, and credit management department from March 2000 to March 2001, deputy head of our Bank's credit management department from March 2001 to July 2003, chief in our Bank's credit management department from January 2005 to January 2007 and assistant to president of Tianjin branch of our Bank from December 2008 to April 2010. Mr. Wang served as vice president of Tianjin branch of our Bank from April 2010 to February 2012.

Mr. Wang obtained a bachelor's degree in economics from Dongbei University of Finance and Economics* (東北財經大學) in Liaoning, the PRC in July 1999 and a master's degree in business administration from the Chicago branch campus of the University of Illinois in the United States in August 2008. Mr. Wang is currently studying at Dongbei University of Finance and Economics* (東北財經大學) in Liaoning, the PRC for a doctor's degree in finance.

Save as disclosed, each of our Directors, Supervisors and members of the senior management complies with the qualification requirements of their respective positions by the CBRC and the personnel whose qualifications require approval by the CSRC has been duly approved. Save as disclosed, none of our Directors, Supervisors and members of the senior management held directorships in any listed companies in the past three years.

JOINT COMPANY SECRETARIES

Mr. WANG Jing (王晶), was appointed as a joint company secretary of our Bank on October 14, 2014. Please refer to Mr. Wang Jing's biography described in paragraph headed "Directors" in this section.

Ms. LEUNG Wing Han Sharon (梁穎嫻), was appointed as a joint company secretary of our Bank on October 14, 2014. She is a vice president of SW Corporate Services Group Limited. She has over 10 years of experience in finance, accounting and company secretarial matters. Ms. Leung holds degrees of bachelor of business administration in accounting, bachelor of laws, and master of laws in international corporate and financial law. She is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in UK, and the Association of Chartered Certified Accountants in UK. She is also a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung has handled company secretarial and compliance work for Hong Kong listed companies in different industries and jurisdictions, and is responsible for managing the company secretarial and compliance work for several listed clients of SW Corporate Services Group Limited.

COMMITTEES UNDER THE BOARD

Our Bank currently has the following committees under the Board: a strategy committee, an audit committee, a nomination and remuneration committee, a risk management committee and a related-party transactions control committee. The committees operate in accordance with terms of reference established by our Board.

Strategy Committee

Our Bank has established a strategy committee with written terms of reference. The strategy committee consists of two executive Directors, being Mr. ZHANG Wei and Ms. CHEN Man, and one independent non-executive Director, being Ms. JIA Yuge. The chairman of the committee is Mr. ZHANG Wei. The primary duties of the committee include the following:

- formulating the operation goals and long-term development strategies of our Bank;
- supervising and inspecting the implementation of annual operating plans and investment proposals;
- evaluating and making proposals on any major capital operations or asset management projects of our Bank that is subject to approval of the Board;
- evaluating and making proposals on any major events that may affect the development of our Bank; and
- any other duties authorized by the Board.

Audit Committee

Our Bank has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, being Mr. DENG Xiaoyang, Mr. NIU Sihu and Ms. JIANG Jian, which is in compliance with Rules 3.10(2) and 3.21 of the Listing Rules in respect of requirements on the appropriate accounting and related financial management expertise. The chairman of the committee is Mr. DENG Xiaoyang. The primary duties of the committee include the following:

- inspecting the accounting policies, financial condition and financial reporting procedures of our Bank;
- assessing the risk and compliance status of our Bank;
- taking charge of the annual audit work of our Bank, formulation reports regarding the authenticity, integrity and accuracy of such audited information and reporting the same to the approval of the Board;
- reviewing the internal control system of our Bank and auditing major related-party transactions; and
- any other duties authorized by the Board.

Nomination and Remuneration Committee

Our Bank has established a nomination and remuneration committee with written terms of reference in compliance with paragraphs B1 and A5 of the Code of Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The nomination and remuneration committee consists of one executive Director, being Ms. ZHAO Jie, and two independent non-executive Directors, being Mr. NIU Sihu and Mr. DENG Xiaoyang. The chairman of the committee is Mr. NIU Sihu. The primary duties of the committee include the following:

- studying, formulating, reviewing and proposing the proposals in connection with the remuneration plans for Directors and senior management members, and supervising the implementation of such proposals;

- formulating the procedures and criteria for selecting and appointing Directors and senior management members;

- conducting preliminarily reviews on the qualifications and conditions of candidates for Directors and senior management members and making proposals to the Board;

- formulating the appraisal criteria for Directors and senior management members, proceeding with implementation and making proposals to the Board;

- searching for qualified candidates for Directors and senior management members; and

- any other duties authorized by the Board.

Risk Management Committee

Our Bank has established a risk management committee with written terms of reference. The risk management committee consists of two non-executive Directors, being Mr. ZHANG Caiguang and Mr. LI Dongjun and one independent non-executive Director, being Ms. JIA Yuge. The chairman of the committee is Ms. JIA Yuge. The primary duties of the committee include the following:

- supervising the control of credit risk, market risk, operation risk and other risks by senior management;

- conducting regular assessment on the risk management status of our Bank, evaluating the work procedures and efficiency of the risk control department of our Bank and making proposals on improvement in risk control and internal control of our Bank;

- formulating risk management strategies and risk quota management policies;

- reviewing the asset liability management policies of our Bank; and

- any other duties authorized by the Board.

Related-party Transactions Control Committee

Our Bank has established a related-party transactions control committee with written terms of reference. The related-party transactions control committee consists of one executive Director, being Ms. CHEN Man and two independent non-executive Directors, being Mr. JIANG Daxing and Ms. JIANG Jian. The chairman of the committee is Mr. JIANG Daxing. The primary duties of the committee include the following:

- managing our Bank's related-party transactions according to the relevant laws, rules and regulations, and formulating related-party transactions management system;
- identifying our Bank's related-party according to the relevant laws, rules and regulations, and reporting to the Board, the Board of Supervisors and relevant China banking regulatory agencies;
- reviewing our Bank's related-party transactions according to the relevant laws, rules and regulations and in accordance with commercial principles of arm's length;
- formulating written reports regarding fairness of major related-party transactions and particularly significant related-party transactions and the implementation status of our internal approval procedures by the independent non-executive Director member; and
- any other duties authorized by the Board.

COMMITTEE UNDER THE BOARD OF SUPERVISORS

In addition to the above committees under the Board, our Bank has also established a supervising committee and a nomination committee under our Board of Supervisors with written terms of reference.

Supervising Committee

The supervising committee consists of three Supervisors, being Mr. JING Fei, Mr. TIAN Deying and Ms. NIE Ying. The chairman of the supervising committee is Mr. JING Fei. The primary duties of the supervising committee include the following:

- drafting specific plans on supervising and examining our Bank's financial activities and implement such plans;
- supervising the Board to establish steady business operation principle and values as wells as practicable development strategy;
- drafting off-office auditing plans for Directors and senior management;
- conducting supervising and inspection on our Bank's business operation, risk management and internal control; and

- any other duties authorized by the Board of Supervisors.

Nomination Committee

The nomination committee consists of three Supervisors, being Mr. CHEN Yingmei, Ms. ZHAO Hongxia and Ms. LUO Yan. The chairman of the nomination committee is Ms. CHEN Yingmei. The primary duties of the nomination committee include the following:

- making proposals to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors;

- studying the procedures and criteria for selecting and appointing Supervisors and making proposals to the Board of Supervisors;

- searching for qualified candidates for Supervisors;

- conducting preliminarily reviews on the qualifications and conditions of candidates for Supervisors nominated by shareholders and making proposals to the Board of Supervisors; and

- any other duties authorized by the Board of Supervisors.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Bank offers our executive Directors, Supervisors and senior management members, who are also employees of our Bank, various compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our non-executive Directors (including independent non-executive Directors) receive compensation based on their responsibilities.

The aggregate amount of remuneration paid by us to our Directors in 2012, 2013 and 2014 and for the six months ended June 30, 2015 was approximately RMB6.4 million, RMB7.8 million, RMB8.0 million and RMB5.7 million, respectively.

The aggregate amount of remuneration paid by us to our Supervisors in 2012, 2013 and 2014 and for the six months ended June 30, 2015 was approximately RMB6.9 million, RMB6.5 million, RMB6.4 million and RMB4.7 million, respectively.

The aggregate amount of remuneration paid by us to our senior management in 2012, 2013 and 2014 and for the six months ended June 30, 2015 was approximately RMB10.0 million, RMB11.2 million, RMB10.7 million and RMB7.4 million, respectively.

The aggregate amount of remuneration paid by us to our five highest paid individuals in 2012, 2013 and 2014 and for the six months ended June 30, 2015 was approximately RMB12.0 million, RMB12.0 million, RMB12.0 million and RMB9.8 million, respectively.

It is estimated that remuneration equivalent to approximately RMB17.0 million in aggregate will be paid and granted to the Directors and Supervisors by our Bank in 2015 under arrangements in force as of the date of this prospectus.

No remuneration was paid to the Directors, Supervisors, senior management or the five highest paid individuals of our Bank as an inducement to join, or upon joining, our Bank. No compensation was paid to, or is receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of our Bank or of any other offices in connection with the management of the affairs of our Bank. None of the Directors of our Bank waived any emoluments during the same period.

Except as disclosed above, no other payments have been paid or are payable, in 2012, 2013 and 2014 and for the six months ended June 30, 2015, respectively, by us to the Directors, Supervisors and senior management.

DIRECTORS' AND SUPERVISORS' INTEREST

Except as disclosed in this prospectus, each of the Directors and Supervisors (i) did not hold other positions in our Bank as of the Latest Practicable Date; (ii) had no other relationship with any Directors, Supervisors, senior management or substantial shareholder of our Bank as of the Latest Practicable Date; and (iii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. See "Appendix VII — Statutory and General Information" for our Directors' and Supervisors' interests in the Domestic Shares within the meaning of Part XV of the SFO.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there was no additional matter with respect to the appointment of our Directors or Supervisors that needs to be brought to the attention of the shareholders and there was no additional information relating to our Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

WAIVER FROM STRICT COMPLIANCE WITH RULES 8.12 AND 19A.15 OF THE LISTING RULES

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules — Waiver in Relation to Management Presence".

WAIVER FROM STRICT COMPLIANCE WITH RULES 3.28 AND 8.17 OF THE LISTING RULES

We have submitted our application to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the Listing Date, provided that Ms. Leung Wing Han Sharon will act as a joint company secretary and provide assistance to Mr. Wang Jing during this period. Upon the expiry of the three year period, we will make a further evaluation of Mr. Wang Jing's qualifications and experience to determine whether the requirements set out under Rule 3.28 of the Hong Kong Listing Rules are satisfied. See "Waivers from Strict Compliance with the Listing Rules — Waiver in Relation to Joint Company Secretaries".

COMPLIANCE ADVISOR

Our Bank has appointed First Shanghai Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Bank in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Bank proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of our Bank regarding unusual movements in the price or trading volume of the H Shares of our Bank, the possible development of a false market in our H Shares or any other matters.

The terms of the appointment of the compliance advisor will commence on the Listing Date and end on the date when we distribute the annual report of the financial results of our Bank for the first full financial year commencing after the Listing Date.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the transactions we have entered into with our connected persons (as defined in the Listing Rules) will constitute connected transactions. Such transactions which will continue following the Listing Date, constitute continuing connected transactions under the Listing Rules.

Exempt Continuing Connected Transactions

We are a commercial bank incorporated in the PRC and under the supervision of the CBRC and the PBOC. We provide commercial banking services and products in the ordinary and usual course of our business to members of the public in China. Members of the public include our connected persons (including certain Directors, Supervisors, chief executive and/or their respective associates). Set forth below are details of various continuing connected transactions between our Bank and our connected persons (including certain Directors, Supervisors, chief executive and/or their respective associates). These transactions are entered into on normal commercial terms (or such commercial terms that are more favorable to us) in the ordinary and usual course of our business, and thus, are fully exempt from the disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business — Provision of loans and credit facilities to connected persons

We extend loans and credit facilities in the ordinary and usual course of our business to certain of our connected persons (including certain Directors, Supervisors, chief executive and/or their respective associates) on normal commercial terms or such commercial terms that are more favorable to us with reference to prevailing market rates. We expect that our Bank will continue to provide credit facilities to such connected persons following the listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The provision of the above loans and credit facilities by our Bank to our connected persons are in the ordinary and usual course of our business and on normal commercial terms (or such commercial terms that are more favorable to us) with reference to prevailing market rates. Therefore, these transactions will constitute exempt continuing connected transactions pursuant to Rule 14A.87(1) of the Listing Rules (namely, financial assistance provided by us in the ordinary and usual course of our business on normal commercial terms or such commercial terms that are more favorable to us), and thus, will be fully exempt from the disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business — Deposit Taking

We take deposits in the ordinary and usual course of our business from certain of our connected persons (including certain Directors, Supervisors, chief executive and/or their respective associates) at normal deposit rates and on normal commercial terms or such commercial terms that are more favorable to us. We expect that each connected persons will continue to place deposits with us following the listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

Our connected persons placed deposits with us on normal commercial terms or such commercial terms that are more favorable to us with reference to prevailing market rates. Therefore, these transactions will constitute exempt continuing connected transactions pursuant to Rule 14A.90 of the Listing Rules (namely, financial assistance received by our Bank from connected persons, such assistance being provided in the form of deposits placed with us on normal commercial terms or such commercial terms that are more favorable to us and is not secured by our assets), and thus, will be fully exempt from the disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business — Other banking services and products

We provide various commercial banking services and products (including wealth management products) in the ordinary and usual course of our business to certain of our connected persons (including certain Directors, Supervisors, chief executive and/or their respective associates) at normal prescription fees, service fees and charges and on normal commercial terms or such commercial terms and conditions that are more favorable to us. We expect that our Bank will continue to provide such banking products and services to connected persons following the listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The provision of such banking services and products to our connected persons and/or their respective associates in the ordinary and usual course of business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties, are expected to constitute de minimis transactions under Chapter 14A of the Listing Rules. Therefore, these transactions will constitute exempt continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules, and thus, will be fully exempt from the disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the Track Record Period and up to the Latest Practicable Date, our shareholding structure was diversified and no single shareholder directly or indirectly held more than 8.04% of our shares. No shareholder can control or exercise significant influence over our managements or our operation and management during the Track Record Period.

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, our total issued share capital will comprise 4,282,233,866 Domestic Shares and 1,320,000,000 H Shares (including 120,000,000 H Shares to be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the relevant PRC regulations relating to reduction of state-owned shares), representing 76.44% and 23.56% of the total issued share capital of our Bank, respectively. If the Over-allotment Option is exercised in full, our total issued share capital will comprise 4,264,233,866 Domestic Shares and 1,518,000,000 H Shares (including 138,000,000 H Shares to be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the relevant PRC regulations relating to reduction of state-owned shares), representing 73.74% and 26.26% of the total issued share capital of our Bank, respectively.

As of the Latest Practicable Date and immediately following the completion of the Global Offering, the following persons controlled or were entitled to exercise or control the exercise of, directly or indirectly, 5% or more of our Domestic Shares:

		As of the Latest Practicable Date		Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)			Immediately after completion of the Global Offering (assuming the Over-allotment Option is exercised in full)		
Name of shareholder	Nature of interest	Number of Shares	Approximate percentage of our total issued share capital (%)	Number of Shares	Approximate percentage of our total issued share capital (%)	Approximate percentage of the relevant class of shares of our Bank (%)	Number of Shares	Approximate percentage of our total issued share capital (%)	Approximate percentage of the relevant class of shares of our Bank (%)
Yinchuan Baota	Beneficial owner	250,000,000 Domestic Shares[1]	5.68	250,000,000 Domestic Shares[1]	4.46	5.84	250,000,000 Domestic Shares[1]	4.32	5.86
Baota Energy	Interest of controlled corporation	250,000,000 Domestic Shares[1]	5.68	250,000,000 Domestic Shares[1]	4.46	5.84	250,000,000 Domestic Shares[1]	4.32	5.86
Baota Petrochemical	Interest of controlled corporation	250,000,000 Domestic Shares[1]	5.68	250,000,000 Domestic Shares[1]	4.46	5.84	250,000,000 Domestic Shares[1]	4.32	5.86
Mr. SUN Yanchao	Interest of controlled corporation	250,000,000 Domestic Shares[1]	5.68	250,000,000 Domestic Shares[1]	4.46	5.84	250,000,000 Domestic Shares[1]	4.32	5.86
Mr. LI Dongjun	Interest of controlled corporation	213,507,565 Domestic Shares[2]	4.85	213,507,565 Domestic Shares[2]	3.81	4.99	213,507,565 Domestic Shares[2]	3.69	5.01
	Interest of controlled corporation	33,179,021 Domestic Shares[3]	0.75	33,179,021 Domestic Shares[3]	0.59	0.77	33,179,021 Domestic Shares[3]	0.57	0.78

Notes:

(1) Such shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd.* (銀川寶塔精細化工有限公司) ("**Yinchuan Baota**"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd.* (寧夏寶塔能源化工有限公司) ("**Baota Energy**"), which is in turn held by Baota Petrochemical Group Co., Ltd.* (寶塔石化集團有限公司) ("**Baota Petrochemical**") and Mr. SUN Yanchao (孫衍超先生) as to 90.2% and 9.8%, respectively. Baota Petrochemical is controlled by Mr. SUN Yanchao (孫衍超先生) as to 43.8%. Under the SFO, Baota Energy, Baota Petrochemical and Mr. SUN Yanchao (孫衍超先生) are deemed to be interested in all the shares held by Yinchuan Baota.

(2) Such shares are held by Jincheng International Logistics Group Co., Ltd.* (錦程國際物流集團股份有限公司) ("**Jincheng International**") and 99% equity interests in Jincheng International is held by Mr. LI Dongjun. Under the SFO, Mr. LI Dongjun is taken or deemed to be interested in all the shares held by Jincheng International.

(3) Such shares are held by Dalian Changxing Island Green-city Development Co., Ltd.* (大連長興島綠城發展有限公司), which is held as to 99.76% by Jinlian Investment Group Co., Ltd.* (錦聯控股集團有限公司), whose 90% equity interests in turn are owned by Mr. LI Dongjun. Under the SFO, Mr. LI Dongjun is taken or deemed to be interested in all the shares held by Dalian Changxing Island Green-city Development Co., Ltd.

This section presents certain information regarding our share capital prior to and following the completion of the Global Offering:

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, our share capital, which comprised 4,402,233,866 Domestic Shares, is categorized as follows:

Class	Number of Shares	Approximate percentage of share capital
Domestic Shares	4,402,233,866	100.00%

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option, our total share capital would be as follows:

Class	Number of Shares	Approximate percentage of share capital
Domestic Shares	4,282,233,866	76.44%
H Shares converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	120,000,000	2.14%
H Shares issued pursuant to the Global Offering	1,200,000,000	21.42%
Total Share Capital	**5,602,233,866**	**100.00%**

Immediately after the completion of the Global Offering, assuming the Over-allotment Option is exercised in full, our total share capital would be as follows:

Class	Number of Shares	Approximate percentage of share capital
Domestic Shares	4,264,233,866	73.74%
H Shares converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	138,000,000	2.39%
H Shares issued pursuant to the Global Offering	1,380,000,000	23.87%
Total Share Capital	**5,782,233,866**	**100.00%**

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares

We have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global Offering, all unlisted Shares are Domestic Shares held by our domestic shareholders and therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws. Given the above, our PRC legal advisor, Zhong Lun Law Firm, has advised us that the use of the term "unlisted Shares" does not contravene and are not inconsistent with any PRC laws and regulations (including the Special Regulations and Mandatory Provisions).

According to the stipulations by the State Council securities regulatory authority and our Articles of Association, our unlisted Shares may be converted to H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted shares shall have duly completed any requisite internal approval process and obtained the approval from the relevant PRC regulatory authorities, including the CSRC. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our unlisted Shares converted to H Shares are to be traded on the Hong Kong Stock Exchange, such conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. The listing of such converted shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange. Based on the methodology and procedures for the transfer and conversion of our unlisted Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed transfer to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, the Hong Kong Stock Exchange has advised us that it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No class shareholder voting is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed conversion.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares will be withdrawn from the register of Domestic Shares and we will re-register such shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be subject to the conditions that (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such shares would not be listed as H Shares.

So far as our Directors are aware, none of our 11 state-owned shareholders currently proposes to convert any of the unlisted Shares held by it into H Shares, except for the unlisted Shares to be converted and offered by our 11 state-owned shareholders, being Selling Shareholders, in connection with the Global Offering.

RANKING

Both Domestic Shares and H Shares are ordinary shares in the share capital of our Bank. However, unless otherwise approved by relevant authorities, H Shares cannot be subscribed for by, or traded between, legal or natural persons of the PRC, except for qualified domestic institutional investors or other eligible investors approved by relevant authorities. Domestic Shares, on the other hand, can only be subscribed for by, and traded between, legal or natural persons of the PRC or qualified foreign institutional investors or eligible foreign strategic investors, and must be traded in Renminbi. All dividends or distributions declared, paid or made in respect of the Domestic Shares and H Shares after the date of this prospectus will rank *pari passu* with each other. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi.

Except as described above and in relation to the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and the appointment of dividend receiving agents, are all provided for in our Articles of Association and summarized in "Appendix VI — Summary of Articles of Association" to this prospectus.

TRANSFER AND SALE OF STATE-OWNED SHARES

In accordance with relevant PRC regulations regarding disposal of state-owned shares or their monetary equivalent based on the Offer Price, our 11 state-owned shareholders are required to transfer to the NSSF such number of Domestic Shares, which in aggregate is equivalent to 10% of the number of the Offer Shares (being 120,000,000 H Shares before the exercise of the Over-allotment Option, or 138,000,000 H Shares after the exercise of the Over-allotment Option in full). Neither we nor our 11 state-owned shareholders will receive any proceeds from the transfer of such Domestic Shares by our 11 state-owned shareholders to the NSSF or any subsequent disposal of such H Shares by the NSSF.

We received the approval from the MOF in relation to the transfer of the Domestic Shares held by our 11 state-owned shareholders to the NSSF on November 26, 2014 and the approval from the CSRC approving the conversion of these Domestic Shares into H Shares on May 26, 2015. Pursuant to a letter issued by the NSSF (Shebaojijinfa [2015] No. 43) on March 30, 2015, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, which shall equal to 10% of the number of the Offer Shares to be offered by our Bank, and (ii) remit the proceeds from the sale of the Sale Shares (after deducting the SFC transaction levy and Hong Kong Stock Exchange trading fee) to an account designated by the NSSF. We have been advised by our PRC legal advisor, Zhong Lun Law Firm, that such conversion and sale have been approved by the relevant authorities and are lawful under PRC law.

LOCK-UP PERIOD

According to the Company Law of the PRC, the Shares issued prior to the public offering of our Shares are prohibited from being transferred within one year from the date of listing of our Shares under public offering on the relevant stock exchange. Therefore, the Shares issued prior to the Listing Date shall be subject to such statutory rule within one year from the Listing Date.

The following discussion and analysis should be read in conjunction with our consolidated financial statements, together with the accompanying notes, included in Appendix I — "Accountants' Report" to this prospectus. The consolidated financial statements have been prepared in accordance with IFRS. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

ASSETS

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had total assets of RMB123,294.3 million, RMB175,513.9 million, RMB250,692.7 million and RMB312,938.8 million, respectively. The table below sets forth the components of our total assets as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Gross loans and advances to customers	63,199.1	51.3%	78,273.3	44.6%	88,799.3	35.4%	94,118.4	30.0%
Allowance for impairment losses on loans and advances to customers	(1,418.0)	(1.2%)	(1,544.5)	(0.9%)	(2,250.5)	(0.9%)	(3,549.2)	(1.1%)
Loans and advances to customers, net	61,781.1	50.1%	76,728.8	43.7%	86,548.8	34.5%	90,569.2	28.9%
Investment securities and other financial assets, net[1]	24,028.0	19.5%	58,009.8	33.1%	113,842.6	45.4%	166,377.2	53.2%
Cash and deposits with the central bank	22,713.2	18.4%	23,258.6	13.3%	30,170.5	12.0%	30,706.0	9.8%
Deposits with banks and other financial institutions	8,759.2	7.1%	9,698.2	5.5%	12,520.6	5.0%	16,078.9	5.1%
Financial assets held under resale agreements	1,147.2	0.9%	—	—	—	—	—	—
Placements with banks and other financial institutions	—	—	1,980.6	1.1%	—	—	912.3	0.3%
Other assets[2]	4,865.6	4.0%	5,837.9	3.3%	7,610.2	3.1%	8,295.2	2.7%
Total assets	**123,294.3**	**100.0%**	**175,513.9**	**100.0%**	**250,692.7**	**100.0%**	**312,938.8**	**100.0%**

Notes:

(1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables. As of December 31, 2012, 2013 and 2014 and June 30, 2015, allowances for impairment losses of debt securities classified as receivables were nil, nil, RMB78.3 million and RMB313.6 million, respectively. As of December 31, 2012, 2013 and 2014 and June 30, 2015, there were no allowance for impairment losses of held-to-maturity investments and available-for-sale financial assets.

(2) Include interests receivable, property and equipment, deferred tax assets and others.

As of June 30, 2015, we had total assets of RMB312,938.8 million, representing an increase of 24.8% from total assets of RMB250,692.7 million as of December 31, 2014. Our total assets increased by 42.4% from RMB123,294.3 million as of December 31, 2012 to RMB175,513.9 million as of December 31, 2013 and further increased by 42.8% to RMB250,692.7 million as of December 31, 2014. The increases in our total assets from December 31, 2012 to June 30, 2015 were primarily attributable to the increases in our investment securities and other financial assets and loans and advances to customers.

Loans and Advances to Customers

Loans and advances to customers were the largest component of our assets as of December 31, 2012 and 2013, and the second largest component of our assets as of December 31, 2014 and June 30, 2015. We provide a broad range of loan products to customers through our branch network, substantially all of which are denominated in Renminbi.

Unless otherwise stated, the following discussion is based on total loans and advances to customers before taking into account the related allowance for impairment losses. Loans and advances to customers are reported net of allowance for impairment losses in our consolidated statement of financial position.

As of June 30, 2015, our total loans and advances to customers amounted to RMB94,118.4 million, representing an increase of 6.0% from RMB88,799.3 million as of December 31, 2014. Our total loans and advances to customers increased from RMB63,199.1 million as of December 31, 2012 by 23.9% to RMB78,273.3 million as of December 31, 2013 and further increased by 13.4% to RMB88,799.3 million as of December 31, 2014. The steady increase of our total loans and advances to customers from December 31, 2012 to June 30, 2015 was primarily due to the ongoing expansion of our business.

Net loans and advances to customers represented 50.1%, 43.7%, 34.5% and 28.9% of our total assets as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The decreases of our net loans and advances to customers as a percentage of our total assets from December 31, 2012 to June 30, 2015 were primarily because our investment securities and other financial assets increased at a faster pace than that of our loans and advances to customers, which was mainly driven by our strategy to diversify our products and services and expand our treasury business.

Loans and Advances to Customers by Business Line

The table below sets forth loans and advances to customers by business line as of the dates indicated. For a detailed description of the products we offer, see “Business — Our Principal Business Activities”.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans	60,720.8	96.1%	73,595.6	94.1%	81,151.8	91.4%	84,914.9	90.2%
Retail loans	2,306.5	3.6%	4,496.2	5.7%	7,475.8	8.4%	8,960.2	9.5%
Discounted bills	171.8	0.3%	181.5	0.2%	171.7	0.2%	243.3	0.3%
Total loans and advances to customers	**63,199.1**	**100.0%**	**78,273.3**	**100.0%**	**88,799.3**	**100.0%**	**94,118.4**	**100.0%**

Corporate loans are the largest component of our loan portfolio. Corporate loans represented 96.1%, 94.1%, 91.4% and 90.2% of our total loans and advances to customers as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. As of June 30, 2015, our corporate loans amounted to RMB84,914.9 million, representing an increase of 4.6% from RMB81,151.8 million as of December 31, 2014. Our corporate loans increased by 21.2% from RMB60,720.8 million as of December 31, 2012 to RMB73,595.6 million as of December 31, 2013, and further increased by 10.3% to RMB81,151.8 million as of December 31, 2014. The increases in our corporate loans from December 31, 2012 to June 30, 2015 were mainly due to (i) the continued growth of market demand for corporate loans, and (ii) the addition of new branches and sub-branches.

Retail loans represented 3.6%, 5.7%, 8.4% and 9.5% of our total loans and advances to customers as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. As of June 30, 2015, our retail loans amounted to RMB8,960.2 million, representing an increase of 19.9% from RMB7,475.8 million as of December 31, 2014. Our retail loans increased by 94.9% from RMB2,306.5 million as of December 31, 2012 to RMB4,496.2 million as of December 31, 2013, and further increased by 66.3% to RMB7,475.8 million as of December 31, 2014. The increases in our retail loans from December 31, 2012 to June 30, 2015 were primarily due to (i) our continued development of our “Three Smalls” microcredit business which benefited from the PRC government’s various policies to support and encourage financial institutions to develop credit services for individuals, as well as the decreased risk weighting of retail loans by the CBRC to encourage lending to retail loan customers, and (ii) the continued growth of market demand for retail loans.

Our discounted bills amounted to RMB171.8 million, RMB181.5 million, RMB171.7 million and RMB243.3 million, representing 0.3%, 0.2%, 0.2% and 0.3% of our total loans and advances to customers, as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Corporate Loans

Corporate Loans by Loan Maturity

A majority of our corporate loans were medium- or long-term loans with maturity of over one year. The table below sets forth corporate loans by contract maturity as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Short-term loans (one year or less)	26,449.2	43.6%	33,770.6	45.9%	38,228.6	47.1%	34,619.2	40.8%
Medium- and long-term loans (over one year)	34,271.6	56.4%	39,825.0	54.1%	42,923.2	52.9%	50,295.7	59.2%
Total corporate loans	**60,720.8**	**100.0%**	**73,595.6**	**100.0%**	**81,151.8**	**100.0%**	**84,914.9**	**100.0%**

As of June 30, 2015, our short-term corporate loans amounted to RMB34,619.2 million, representing a decrease of 9.4% from RMB38,228.6 million as of December 31, 2014. Our short-term corporate loans increased by 27.7% from RMB26,449.2 million as of December 31, 2012 to RMB33,770.6 million as of December 31, 2013, and further increased by 13.2% to RMB38,228.6 million as of December 31, 2014. As of December 31, 2012, 2013 and 2014 and June 30, 2015, short-term loans accounted for 43.6%, 45.9%, 47.1% and 40.8%, respectively, of our total corporate loans. As of June 30, 2015, medium- and long-term corporate loans amounted to RMB50,295.7 million, representing an increase of 17.2% from RMB42,923.2 million as of December 31, 2014. Our medium- and long-term corporate loans increased by 16.2% from RMB34,271.6 million as of December 31, 2012 to RMB39,825.0 million as of December 31, 2013, and further increased by 7.8% to RMB42,923.2 million as of December 31, 2014. As of December 31, 2012, 2013 and 2014 and June 30, 2015, medium- and long-term loans accounted for 56.4%, 54.1%, 52.9% and 59.2%, respectively, of our total corporate loans.

The decrease of our short-term loans and the increase of our medium- and long-term loans both in absolute terms and as a percentage of our corporate loan portfolio from December 31, 2014 to June 30, 2015 were primarily because we preferred to advance loans with longer terms to our customers in view of the development of the interest rate liberalization.

The increases of our short-term loans and the decreases of our medium- and long-term loans as a percentage of our corporate loan portfolio from December 31, 2012 to December 31, 2014 were primarily because (i) we continued to extend loans to customers in the wholesale and retail industry who usually have strong demand for short-term loans, and (ii) we strengthened liquidity management and increased short-term corporate loans to adjust the maturity profile of our loans and to balance risk and return.

Corporate Loans by Size of Borrowers

The table below sets forth corporate loans by size of borrowers as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans to Small Enterprises and Micro Enterprises	24,612.7	40.5%	29,238.2	39.8%	35,516.3	43.8%	40,678.9	47.9%
Loans to Medium Enterprises	17,864.3	29.4%	25,116.4	34.1%	28,473.5	35.1%	29,192.6	34.4%
Loans to others[1]	18,243.8	30.1%	19,241.0	26.1%	17,162.0	21.1%	15,043.4	17.7%
Total corporate loans	**60,720.8**	**100.0%**	**73,595.6**	**100.0%**	**81,151.8**	**100.0%**	**84,914.9**	**100.0%**

Note:

(1) Others include Large Enterprises and other institutions.

As of June 30, 2015, our loans to Small Enterprises and Micro Enterprises amounted to RMB40,678.9 million, representing an increase of 14.5% from RMB35,516.3 million as of December 31, 2014. Our loans to Small Enterprises and Micro enterprises increased by 18.8% from RMB24,612.7 million as of December 31, 2012 to RMB29,238.2 million as of December 31, 2013 and further increased by 21.5% to RMB35,516.3 million as of December 31, 2014. As of December 31, 2012, 2013 and 2014 and June 30, 2015, loans to Small Enterprises and Micro Enterprises accounted for 40.5%, 39.8%, 43.8% and 47.9%, respectively, of our total corporate loans. The overall increase of our loans to Small Enterprises and Micro Enterprises both in absolute terms and as a percentage of our total corporate loans from December 31, 2012 to June 30, 2015 primarily reflected our active response to the PRC government's various policies on supporting small and micro enterprises. The above policies include (i) that the CBRC reduced the lending risk weighting of loans to small and micro enterprises, and (ii) that the CBRC set three specific requirements for loans to small and micro enterprises (i.e., the growth rate of loans to small and micro enterprises shall not be lower than the average growth rate of all types of loans, the number of small and micro enterprises loan customers shall not be lower than that of the previous year, and the approval rate of loans to small and micro enterprises shall not be lower than that of the previous year) and related indicators of financial services appraisal, to guide the direction of flow of bank loans. See "Supervision and Regulation — Regulation of Principal Commercial Banking Activities — Encouraging Providing Financing for Small and Micro-Enterprises".

As of June 30, 2015, our loans to Medium Enterprises amounted to RMB29,192.6 million, representing an increase of 2.5% from RMB28,473.5 million as of December 31, 2014. Our loans to Medium Enterprises increased by 40.6% from RMB17,864.3 million as of December 31, 2012 to RMB25,116.4 million as of December 31, 2013 and further increased by 13.4% to RMB28,473.5 million as of December 31, 2014. As of December 31, 2012, 2013 and 2014 and June 30, 2015, loans to Medium Enterprises accounted for 29.4%, 34.1%, 35.1% and 34.4%, respectively, of our total corporate loans. The increases of our loans to Medium Enterprises in absolute terms from December 31, 2012 to June 30, 2015 were primarily due to (i) the addition of new branches and sub-branches, and (ii) our increased marketing efforts to develop more Medium Enterprises customers.

As of June 30, 2015, our loans to others amounted to RMB15,043.4 million, representing a decrease of 12.3% from RMB17,162.0 million as of December 31, 2014. Our loans to others increased by 5.5% from RMB18,243.8 million as of December 31, 2012 to RMB19,241.0 million as of December 31, 2013. Our loans to others decreased by 10.8% from RMB19,241.0 million as of December 31, 2013 to RMB17,162.0 million as of December 31, 2014. As of December 31, 2012, 2013, 2014 and June 30, 2015, loans to others accounted for 30.1%, 26.1%, 21.1% and 17.7%, respectively, of our total corporate loans. The overall decreases in our loans to others as a percentage of our total corporate loans from December 31, 2012 to June 30, 2015 were primarily due to our decision to allocate more resources to SME borrowers.

Corporate Loans by Industry

The table below sets forth corporate loans by industry as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Wholesale and retail	16,656.8	27.4%	20,912.2	28.4%	27,762.9	34.2%	28,472.1	33.5%
Manufacturing	15,300.8	25.2%	19,895.2	27.0%	19,885.4	24.5%	20,597.5	24.3%
Real estate	6,150.0	10.1%	7,971.7	10.8%	9,426.2	11.6%	10,882.0	12.8%
Leasing and business services	3,780.2	6.2%	6,002.8	8.2%	5,466.6	6.7%	7,280.8	8.6%
Construction	2,404.0	4.0%	2,955.3	4.0%	4,363.2	5.4%	3,323.3	3.9%
Water, environment and public facilities management	3,082.5	5.1%	1,958.0	2.7%	2,371.6	2.9%	2,187.9	2.6%
Transportation, storage and postal services	1,968.4	3.2%	1,782.0	2.4%	2,345.8	2.9%	2,153.2	2.5%
Education	3,048.7	5.0%	2,785.2	3.8%	2,749.8	3.4%	1,987.7	2.3%
Public administration and social organizations	1,580.3	2.6%	1,728.4	2.4%	850.5	1.0%	1,655.2	1.9%
Mining	456.1	0.8%	783.7	1.1%	815.3	1.0%	1,157.1	1.4%
Accommodation and catering	1,156.6	1.9%	1,086.3	1.5%	1,085.8	1.4%	1,136.8	1.4%
Agriculture, forestry, animal husbandry and fishery	1,747.8	2.9%	1,580.1	2.2%	1,207.8	1.5%	1,075.5	1.3%
Electricity, gas and water production and supply	857.9	1.4%	970.2	1.3%	964.8	1.2%	991.9	1.2%
Health, social security and social welfare	453.3	0.8%	1,051.2	1.4%	893.5	1.1%	796.2	0.9%
Information transmission, computer services and software industry	638.6	1.1%	682.2	0.9%	453.8	0.6%	481.5	0.6%
Cultural, sports and entertainment	734.2	1.2%	681.1	0.9%	233.0	0.3%	262.3	0.3%
Resident services and other services	491.6	0.8%	549.6	0.7%	85.4	0.1%	246.8	0.3%
Research, technical services and geological prospecting	80.0	0.1%	111.9	0.2%	116.9	0.1%	122.1	0.1%
Finance	133.0	0.2%	108.5	0.1%	73.5	0.1%	105.0	0.1%
Total corporate loans	**60,720.8**	**100.0%**	**73,595.6**	**100.0%**	**81,151.8**	**100.0%**	**84,914.9**	**100.0%**

As of June 30, 2015, loans to borrowers in the wholesale and retail, manufacturing, real estate, leasing and business services and construction industries represented the largest components of our corporate loan portfolio. Loans to these five industries accounted for 72.9%, 78.4%, 82.4% and 83.1% of total corporate loans as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Our loans to corporate borrowers in the wholesale and retail industry represented the largest component of our corporate loan portfolio as of December 31, 2012, 2013 and 2014 and June 30, 2015. As of December 31, 2012, 2013 and 2014 and June 30, 2015, loans to the wholesale and retail industry accounted for 27.4%, 28.4%, 34.2% and 33.5% of our total corporate loans, respectively. The overall increases in loans to the wholesale and retail industry in absolute terms from December 31, 2012 to June 30, 2015 were primarily attributable to our expansion of lending to Small Enterprises and Micro Enterprises, of which many are in the wholesale and retail industry, in recent years.

Our loans to corporate borrowers in the manufacturing industry represented the second largest component of our corporate loan portfolio as of December 31, 2012, 2013 and 2014 and June 30, 2015. As of December 31, 2012, 2013 and 2014 and June 30, 2015, loans to the manufacturing industry accounted for 25.2%, 27.0%, 24.5% and 24.3% of total corporate loans, respectively. Our loans to corporate borrowers in the manufacturing industry as a percentage of our total corporate loans remain relatively stable from December 31, 2012 to June 30, 2015.

Our loans to corporate borrowers in the real estate industry accounted for 10.1%, 10.8%, 11.6% and 12.8% of our total corporate loans as of December 31, 2012, 2013 and December 31, 2014 and June 30, 2015, respectively. The increases in loans to the real estate industry in absolute terms and as a percentage of our corporate loans were primarily attributable to our efforts to increase lending for commercial real estate projects and residential real estate projects (including affordable housing projects). See also “Risk Factors — Risks Relating to our Business — We are exposed to risks associated with the real estate industry.”

Corporate Loans by Loan Size

The table below sets forth corporate loans by loan size as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Up to RMB5 million	2,626.8	4.3%	3,484.5	4.7%	4,841.0	5.9%	5,429.6	6.4%
Over RMB5 million to RMB10 million	2,541.2	4.2%	3,181.9	4.3%	3,734.6	4.6%	4,061.8	4.8%
Over RMB10 million to RMB50 million	17,939.6	29.6%	22,525.3	30.6%	24,091.5	29.7%	22,319.0	26.3%
Over RMB50 million to RMB100 million	14,526.7	23.9%	15,801.0	21.5%	17,347.7	21.4%	14,385.0	16.9%
Over RMB100 million to RMB500 million	23,086.5	38.0%	27,952.9	38.0%	29,945.0	36.9%	33,658.4	39.6%
Over RMB500 million	—	—	650.0	0.9%	1,192.0	1.5%	5,061.1	6.0%
Total corporate loans	**60,720.8**	**100.0%**	**73,595.6**	**100.0%**	**81,151.8**	**100.0%**	**84,914.9**	**100.0%**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, 38.0%, 38.9%, 38.4% and 45.6% of our corporate loans had a single loan balance of more than RMB100 million, respectively, which reflected the increasing demand for credit of our corporate customers.

Retail Loans

Retail Loans by Product Type

The table below sets forth our retail loans by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Personal business loans	2,016.2	87.4%	3,933.6	87.5%	6,692.6	89.5%	7,877.7	87.9%
Personal consumption loans	185.5	8.0%	372.9	8.3%	480.4	6.4%	724.0	8.1%
Residential and commercial mortgage loans	86.8	3.8%	151.2	3.4%	230.7	3.1%	281.4	3.1%
Credit card overdrafts	15.9	0.7%	37.4	0.8%	71.3	1.0%	76.4	0.9%
Others[1]	2.1	0.1%	1.1	0.0%	0.8	0.0%	0.7	0.0%
Total retail loans	**2,306.5**	**100.0%**	**4,496.2**	**100.0%**	**7,475.8**	**100.0%**	**8,960.2**	**100.0%**

Note:

(1) Primarily include national student loans.

As of June 30, 2015, our personal business loans amounted to RMB7,877.7 million, representing an increase of 17.7% from RMB6,692.6 million as of December 31, 2014. Our personal business loans increased by 95.1% from RMB2,016.2 million as of December 31, 2012 to RMB3,933.6 million as of December 31, 2013 and further increased by 70.1% to RMB6,692.6 million as of December 31, 2014. The increases of our personal business loans from December 31, 2012 to June 30, 2015 were primarily because (i) our personal business loans benefited from various policies of the PRC government to support and encourage financial institutions to develop credit services for individuals, and (ii) we continued to carry out our strategy of focusing on the development of our "Three Smalls" microcredit business and to increase our marketing efforts.

As of June 30, 2015, our personal consumption loans amounted to RMB724.0 million, representing an increase of 50.7% from RMB480.4 million as of December 31, 2014. Our personal consumption loans increased by 101.0% from RMB185.5 million as of December 31, 2012 to RMB372.9 million as of December 31, 2013, and further increased by 28.8% to RMB480.4 million as of December 31, 2014. The increases of our personal consumption loans from December 31, 2012 to June 30, 2015 were primarily because we strengthened the marketing efforts of our personal consumption loans products to our customers, and in particular, we increased the cross-selling of personal consumption loans products to our personal business loans customers.

As of June 30, 2015, our residential and commercial mortgage loans amounted to RMB281.4 million, representing an increase of 22.0% from RMB230.7 million as of December 31, 2014. Such loans increased by 74.2% from RMB86.8 million as of December 31, 2012 to RMB151.2 million as of December 31, 2013 and further increased by 52.6% to RMB230.7 million as of December 31, 2014. The increases of our residential and commercial mortgage loans from December 31, 2012 to June 30, 2015 were primarily due to our increased lending to individual home buyers of small- and medium-sized residential units and affordable housing projects.

Retail Loans by Loan Size

The table below sets forth retail loans by loan size as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Up to RMB500,000	773.0	33.5%	1,093.0	24.3%	1,348.2	18.0%	1,468.1	16.4%
Over RMB500,000 to RMB1 million	221.9	9.6%	403.1	9.0%	647.9	8.7%	695.7	7.8%
Over RMB1 million to RMB10 million	1,241.1	53.8%	2,729.2	60.7%	4,475.6	59.9%	5,455.2	60.8%
Over RMB10 million	70.5	3.1%	270.9	6.0%	1,004.1	13.4%	1,341.2	15.0%
Total retail loans	**2,306.5**	**100.0%**	**4,496.2**	**100.0%**	**7,475.8**	**100.0%**	**8,960.2**	**100.0%**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, 56.9%, 66.7%, 73.3% and 75.8% of our retail loans had a single loan balance of more than RMB1 million, respectively, which reflected the increasing demand for credit of our retail customers.

Discounted bills

Our discounted bills consisted of bank acceptance bills, which amounted to RMB171.8 million, RMB181.5 million, RMB171.7 million and RMB243.3 million, as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Loans and Advances to Customers by Geographical Region

We classify loans and advances to customers based on the geographic location of the branches from which the loan originates. Our branches generally extend loans to borrowers located in their respective geographical area. The table below sets forth loans and advances to customers by geographical region as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Jinzhou Region[(1)]	39,117.4	61.9%	46,193.6	59.0%	52,113.9	58.7%	55,793.6	59.3%
Other Northeastern Region[(2)]	13,751.9	21.8%	19,012.2	24.3%	21,145.9	23.8%	20,862.1	22.1%
Northern China Region[(3)]	10,329.8	16.3%	13,067.5	16.7%	15,539.5	17.5%	17,462.7	18.6%
Total loans and advances to customers	**63,199.1**	**100.0%**	**78,273.3**	**100.0%**	**88,799.3**	**100.0%**	**94,118.4**	**100.0%**

Notes:

(1) Jinzhou Region: our headquarters, Jinzhou branch, Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.* (錦州太和益民村鎮銀行股份有限公司), Liaoning Yi County Xianghe Village and Township Bank Co., Ltd.* (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司) and Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行股份有限公司).

(2) Other Northeastern Region (excluding Jinzhou Region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch and Liaoyang branch.

(3) Northern China Region: Beijing branch and Tianjin branch.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, loans originated in Jinzhou Region accounted for 61.9%, 59.0%, 58.7% and 59.3% of our total loans and advances to customers, respectively. As of December 31, 2012, 2013 and 2014 and June 30, 2015, loans originated in Other Northeastern Region accounted for 21.8%, 24.3%, 23.8% and 22.1% of our total loans and advances to customers, respectively. Loans originated in Northern China Region accounted for 16.3%, 16.7%, 17.5% and 18.6% of our total loans and advances to customers, as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

The percentage of our loans to customers outside the Jinzhou Region to our total loans and advances to customers increased from 38.1% as of December 31, 2012 to 40.7% to June 30, 2015, primarily due to (i) the addition of more branches and sub-branches outside the Jinzhou Region, and (ii) the growth of our loan business outside the Jinzhou Region as a result of the increasing demand for credit in those areas.

Loans and Advances to Customers by Collateral

Collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 89.0%, 91.3%, 92.0% and 93.6% of our total loans and advances to customers as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. If a loan is secured by more than one form of security interest, the allocation is based on the primary form of security interest. The table below sets forth our loans and advances to customers by the type of collateral as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Unsecured loans	7,128.7	11.0%	6,919.7	8.7%	7,129.5	8.0%	6,054.9	6.4%
Guaranteed loans	25,437.0	40.2%	26,105.9	33.4%	27,657.3	31.2%	28,443.4	30.2%
Collateralized loans	27,348.9	43.4%	35,737.9	45.6%	41,546.2	46.8%	45,846.3	48.7%
Pledged loans	3,284.5	5.4%	9,509.8	12.3%	12,466.3	14.0%	13,773.8	14.7%
Total loans and advances to customers	**63,199.1**	**100.0%**	**78,273.3**	**100.0%**	**88,799.3**	**100.0%**	**94,118.4**	**100.0%**

We extend unsecured loans to customers with relatively high credit ratings based on our internal credit risk rating system. Unsecured loans as a percentage of total loans and advances to customers decreased from 11.0% as of December 31, 2012 to 8.7% as of December 31, 2013 and 8.0% as of December 31, 2014, and further decreased to 6.4% as of June 30, 2015. Such decreases were primarily attributable to our decision to strengthen our risk management.

Guaranteed loans as a percentage of total loans and advances to customer decreased from 40.2% as of December 31, 2012 to 33.4% as of December 31, 2013 and 31.2% as of December 31, 2014, and further decreased to 30.2% as of June 30, 2015. Such decreases were primarily attributable to our implementation of strict credit assessment standards against customers of guaranteed loans.

Collateralized loans and pledged loans as a percentage of total loans and advances to customers increased year by year to 48.8%, 57.9%, 60.8% and 63.4%, respectively, as of December 31, 2012, 2013 and 2014 and June 30, 2015. Such increases were primarily because we strengthened our risk management and increased the proportion of collateralized loans and pledged loans.

Borrower Concentration

PRC banking laws and regulations impose a lending limit of 10% of our regulatory capital to any single borrower. The table below sets forth the loan balances to the ten largest single borrowers as of June 30, 2015, all of which were classified as pass loans under our five-category loan classification system.

		As of June 30, 2015		
	Industry	**Loan balance**	**% of total loans**	**% of regulatory capital(1)**
		(in millions of RMB, except percentages)		
Borrower A	Leasing and business services industry	1,900.0	2.0%	9.0%
Borrower B	Leasing and business services industry	1,198.5	1.3%	5.7%
Borrower C	Wholesale and retail industry	1,105.1	1.2%	5.2%
Borrower D	Wholesale and retail industry	1,072.5	1.1%	5.1%
Borrower E	Real estate industry	848.3	0.9%	4.0%
Borrower F	Wholesale and retail industry	750.0	0.8%	3.6%
Borrower G	Wholesale and retail industry	700.0	0.7%	3.3%
Borrower H	Real estate industry	640.0	0.7%	3.0%
Borrower I	Real estate industry	599.5	0.6%	2.8%
Borrower J	Real estate industry	578.4	0.6%	2.7%
Total		**9,392.3**	**9.9%**	**44.4%**

Note:

(1) Represents loan amounts as a percentage of our net regulatory capital, calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013. For a calculation of our regulatory capital as of June 30, 2015, see "Financial Information — Capital Resources — Capital Adequacy."

PRC banking laws and regulations impose a credit limit of 15% of our regulatory capital to any single group borrower. We have implemented policies and procedures to identify borrower applicants belonging to the same group in our credit approval process. The table below sets forth the total credit extended to the ten largest group borrowers as of June 30, 2015 (calculated based on the applicable CBRC requirements), together with the loan balances of each of such borrower. All loans extended to such borrowers were classified as pass loans under our five-category loan classification system as of June 30, 2015.

		As of June 30, 2015			
	Industry	**Credit amount(1)**	**% of regulatory capital (2)**	**Loan balance**	**% of total loans**
		(in millions of RMB, except percentages)			
Group A	Leasing and business services industry	1,900.0	9.0%	1,900.0	2.0%
Group B	Leasing and business services industry	1,198.5	5.7%	1,198.5	1.3%
Group C	Wholesale and retail industry	1,158.8	5.5%	193.0	0.2%
Group D	Manufacturing industry	1,115.7	5.3%	1,115.7	1.2%
Group E	Wholesale and retail industry	980.0	4.6%	501.3	0.5%
Group F	Wholesale and retail industry	980.0	4.6%	—	—
Group G	Real estate industry	848.3	4.0%	848.3	0.9%
Group H	Manufacturing industry	823.5	3.9%	406.7	0.4%
Group I	Wholesale and retail industry	800.0	3.8%	500.0	0.5%
Group J	Manufacturing industry	769.6	3.6%	72.0	0.1%
Total		**10,574.4**	**50.0%**	**6,735.5**	**7.1%**

Note:

(1) Calculated pursuant to the applicable CBRC requirements by (i) adding up all on-balance-sheet credit amount and off-balance-sheet credit amount in respect of each group borrower, and (ii) deducting the total amount of security deposits, certificates of deposits and government bonds in respect of each group borrower.

(2) Represents loan amounts as a percentage of our net regulatory capital, calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013. For a calculation of our regulatory capital as of June 30, 2015, see "Financial Information — Capital Resources — Capital Adequacy."

Maturity Profile of Our Loan Portfolio

The table below sets forth the scheduled maturities, defined as time remaining until maturity, of our total loans and advances to customers as of June 30, 2015.

	As of June 30, 2015					
	Due in three months or less	**Due between three months and one year**	**Due between one and five years**	**Due over five years**	**Indefinite/ repayable on demand**	**Total**
	(in millions of RMB)					
Corporate loans	11,249.7	36,676.3	33,665.6	886.8	2,436.5	84,914.9
Retail loans	1,475.1	5,108.5	2,038.4	195.9	142.3	8,960.2
Discounted bills	193.7	49.6	—	—	—	243.3
Total loans and advances to customers	**12,918.5**	**41,834.4**	**35,704.0**	**1,082.7**	**2,578.8**	**94,118.4**

As of June 30, 2015, 58.2% by value of our total loans and advances to customers had remaining maturities of one year or less. Loans due in one year or less primarily consisted of short-term corporate loans and retail loans. The majority of our retail loans had remaining maturities of less than one year, primarily because personal business loans, which generally have shorter terms, represented the largest component of our retail loan portfolio. We may renew certain loans that become due upon request by borrowers with good credit records. Renewal of such loans is considered as a grant of new loans and is subject to the credit approval policies and procedures for issuing new loans.

Loan Interest Rate Profile

Prior to July 20, 2013, we were required to charge interest rates on our RMB-denominated loans based on PBOC benchmark rates. For RMB-denominated corporate loans and retail loans, we were not permitted to set interest rates lower than 70% of the relevant PBOC benchmark rate. On July 20, 2013, the PBOC lifted restrictions on interest rates that financial institutions can charge, and abolished the minimum rates for RMB-denominated loans. Based on the new PBOC rules, we may charge interest rates pursuant to commercial terms (excluding personal residential property loans). Since October 27, 2008, the lowest interest rate we may charge for personal residential mortgage loans has been set at 70% of the PBOC benchmark interest rate, and since April 17, 2010, the lowest interest rate we may charge for residential property loans for a second residential property has been set at 110% of the PBOC benchmark lending rate. Since September 30, 2014, for families making a first-time purchase of any ordinary residential property, the minimum down payment ratio is 30% and the minimum interest rate is 70% of the loan benchmark interest rate, as determined by commercial banks based on risk profiles. For families that already have one property with its loan settled, the same policies for a first-time purchaser apply when they apply for loans to purchase an ordinary commercial residential property to improve living conditions. In cities where "purchase restrictions" have not been implemented or have been removed, when families that already have two or more properties with their loan settled apply for loans to purchase another residential property, banks are required to carefully consider and determine the down payment ratio and interest rate based on various factors, such as the borrower's solvency and credit status. According to the Notice of the PBOC and the CBRC on Issues Concerning the Further Improvement of Differential Housing Credit Policies (《人民銀行銀監會關於進一步完善差別化住房信貸政策有關問題的通知》) issued by the PBOC and the CBRC on September 24, 2015, in cities where the "purchase restrictions" have not been implemented, the minimum down payment ratio for a household that purchases ordinary residential property for the first time with commercial residential property loans has been adjusted to not less than 25%. The local offices of the PBOC and the CBRC shall strengthen communication with the local governments, by following the principles of "guidance by categories and policy implementation by regions", based on a uniform credit policy nationwide and according to the situations of different cities within its jurisdiction, guidance shall be provided on the autonomous mechanism for pricing of interest rate in all provincial and municipal markets by incorporating actual local conditions to determine the minimum down payment ratio for commercial residential property loans on their own.

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loan portfolio through our loan classification system. We classify our loans using a five-category loan classification system based on the CBRC guidelines. See "Supervision and Regulation — Loan Classification, Allowances and Write-offs — Loan Classification." We have also adopted a refined risk-based classification criteria for various types of loans to further refine the five-category loan classification system and implement active management of lending risk. See "Risk Management — Credit Risk Management" for a description of our internal loan classification system.

Loan Classification Criteria

We measure and manage the quality of loans granted to our customers based on the *Guidelines on Risk-Based Classification of Loans* (《貸款風險分類指引》) issued by CBRC in July 2007. These criteria are designed to assess the likelihood of repayment by a borrower and the collectability of principal and interest on a loan.

Corporate loans and discounted bills

We classify corporate loans and discounted bills based on (i) the borrower's ability to repay the loan; (ii) the borrower's repayment record; (iii) the borrower's willingness to repay the loan; (iv) the profitability of the project financed by the loan; (v) the effectiveness and adequacy of the collateral/guarantees; (vi) legal responsibilities for repayment of the loan; and (vii) our credit risk management policy. Set forth below are the key factors we consider in classifying our loan portfolio:

Pass. We classify loans as "pass" if the borrower is able to perform the contract and there is no reason to suspect that the principal and/or the interest will not be repaid on time. Loans classified as "pass" generally have the following characteristics:

- the loan taken out by the borrower is not overdue;

- the borrower's business production and operations are stable (i.e. main business indicators are stable). There is no decrease or significant volatility in its production levels in the three consecutive preceding years, and there is no downward trend in its sales revenue;
- the borrower is able to use cash generated from normal business production and operations for loan repayment, and its cash flow is stable; and
- the borrower is able to pay interest on time.

Special mention. We classify loans as "special mention" if the borrower is currently able to make principal and interest payments, but there are factors that may adversely affect the borrower's ability to repay in the future. Loans classified as "special mention" generally have the following characteristics:

- the loan taken out by the borrower is not overdue (including after extension), or is overdue for no more than three months;
- interest on the loan is overdue for no more than three months;
- though not yet affecting repayment, unfavorable trend(s) have begun to develop in the borrower's business operations, and the continuation of such trend(s) will affect the financial position of the borrower. The main sign is that key financial indicators, including but not limited to, operating cash flow, liquidity ratio, inventory turnover, accounts receivable turnover, sales margins, sales and/or operating income have decreased substantially or dropped below the industry average over the last period (or corresponding period in previous year);
- there are changes in external operating environment, such as macroeconomic, industrial and/or market conditions, that may adversely affect the borrower's business operations;
- the borrower changes the use of the loan proceeds;
- there is corporate restructuring (such as mergers and spin-offs) that may have an adverse impact on the loan;
- material adverse change(s) to the borrower's principal shareholders, associates, parent company and/or subsidiaries have occurred; or
- the borrower's credit files are incomplete and/or important documents of the borrower are missing, which may have a material impact on a borrower's loan repayment.

Substandard. We classify loans as "substandard" if the borrower demonstrates apparent problem(s) in its ability to make repayments such that it cannot rely on the income generated from normal business operations to repay the entire loan and that some losses may ensue even after guarantees are enforced. Loans classified as "substandard" generally have the following characteristics:

- the loan taken out by the borrower is three to twelve months overdue (including after extension);
- interest on the loan is three to twelve months overdue;
- there are apparent problem(s) in the borrower's operating conditions and important indicators, such as operating income, financial condition and/or cash flow, demonstrate a deteriorating trend. The borrower is not able to make normal payments on the principal and interest of loans and security need to be enforced for the repayment thereof;
- the borrower has negative net cash flow;
- the value of the collateral may be insufficient to ensure the full repayment of the loan principal and interest;
- the borrower is less than willing to make repayments and there is a clear attempt to avoid repayment;
- the borrower takes out new loans for the purpose of repaying old loans in order to preserve its credit assets; or
- the borrower makes significant adjustments to fixed assets that are adverse to loan repayment, such as extension in infrastructure construction or a material adjustment in budget.

Doubtful. We classify loans as "doubtful" if the borrower cannot repay principal and interest in full and significant losses will ensue even after guarantees are enforced. Loans classified as "doubtful" generally have the following characteristics:

- the loan taken out by the borrower is more than twelve months (including after extension) overdue;
- interest on the loan is more than twelve months overdue;
- the borrower's business operations have been wholly or partially suspended;
- projects financed by the loan have been suspended or halted;
- the value of the guarantees/collateral is materially insufficient;

- it has become known that the borrower maliciously evades debt repayment and it is difficult to track him/her down; or

- legal proceedings have been initiated with regard to the loan.

Loss. We classify loans as "loss" if none, or only a minimal amount, of the principal and interest is likely to be collectible after taking all possible measures or all necessary legal procedures. Loans classified as "loss" generally have the following characteristics:

- the borrower and the guarantor have declared bankruptcy, dissolution, or were wound up (closed) and/or its legal personality terminated pursuant to law, and we are still not able to collect repayment after exhausting all collection efforts;

- the borrower and the guarantor, though they have not yet declared bankruptcy, dissolution, or winding up (closed), have ceased operation and its or their business license and legal personality have been terminated by the industrial and commercial administrative departments, and we are still not able to collect repayment after exhausting all collection efforts;

- the borrower has no assets or ability to repay the loans, and as the loan guarantee has expired, the guarantor refuses to perform its responsibility; or the guarantor's business operations have worsened, incurring financial loss and/or severe insolvency, and hence it is completely unable to fulfill the loan guarantee obligation;

- the borrower is deceased or has been declared missing or deceased pursuant to the Civil Law of the PRC, and we are still not able to collect repayment after pursuing/claiming against the guarantor and estates of the borrower;

- the borrower has suffered from major natural disasters or from unforeseeable accidents and the resulting substantial losses were not covered by insurance, or the borrower could not make partial or full repayment even after insurance coverage, and we are still not able to collect repayment after pursuing/claiming against the guarantor and properties of the borrower;

- the borrower has violated criminal law and has been penalized, the borrower's properties are insufficient to repay the debts and the borrower has no successors, and we are still not able to collect repayment after exhausting all collection efforts;

- the borrower is no longer able to repay its overdue debt and we have legally foreclosed the borrower's assets, the fair market value of which (less relevant fees) is less than the total amount of loan principal and interest;

- the loan is uncollectible after taking advantage of all available legal remedies, or the borrower has no enforceable property or income, or due to other force majeure, enforcement actions against the borrower cannot be carried out;

- the loan cannot be recovered or only a small portion can be recovered based on the net assets of the borrower to repay the loan;

- we are not able to collect repayment after exhausting all efforts because the master loan contract has exceeded the statute of limitations, and the borrower declines to recognize the contractual relationship; or

- no loan agreement was signed with the borrower, or the original copy of such agreement is lost, or the borrower refuses recognition of its contractual relationship.

Retail loans

In applying the loan classification criteria to retail loans, we primarily consider, among others, the length of time by which payments of principal or interest are overdue and the collateral for the loans.

The following table sets forth the key factors we consider when classifying retail loans (other than credit card overdrafts).

	Time Overdue					
Type of collateral	*Current (not overdue)*	*1 to 30 days*	*31 to 90 days*	*91 to 180 days*	*181 to 360 days*	*361 days and above*
Unsecured	Pass	Special Mention	Substandard	Doubtful	Doubtful	Loss
Guaranteed	Pass	Pass	Special Mention	Substandard	Doubtful	Loss
Collateralized	Pass	Pass	Special Mention	Special Mention	Substandard	Doubtful
Pledged	Pass	Pass	Special Mention	Special Mention	Substandard	Doubtful

Loans and Advances to Customers by Loan Classification

The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Pass	59,307.5	93.84%	74,030.5	94.58%	83,794.2	94.36%	88,491.4	94.02%
Special mention	3,299.4	5.22%	3,560.6	4.55%	4,126.5	4.65%	4,692.4	4.99%
Sub-total	**62,606.9**	**99.06%**	**77,591.1**	**99.13%**	**87,920.7**	**99.01%**	**93,183.8**	**99.01%**
Substandard	315.3	0.50%	275.1	0.35%	514.4	0.58%	423.5	0.45%
Doubtful	216.8	0.34%	333.9	0.43%	248.1	0.28%	392.0	0.41%
Loss	60.1	0.10%	73.2	0.09%	116.1	0.13%	119.1	0.13%
Sub-total	**592.2**	**0.94%**	**682.2**	**0.87%**	**878.6**	**0.99%**	**934.6**	**0.99%**
Total loans and advances to customers	**63,199.1**	**100.00%**	**78,273.3**	**100.00%**	**88,799.3**	**100.00%**	**94,118.4**	**100.00%**
Non-performing loan ratio[1]		**0.94%**		**0.87%**		**0.99%**		**0.99%**

Note:

(1) Calculated by dividing non-performing loans by total loans and advances to customers.

The following table sets forth, as of the dates indicated, the distribution of our loans by business lines under the five-category loan classification system.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans								
Pass	56,873.8	89.99%	69,418.2	88.69%	76,227.0	85.84%	79,489.5	84.45%
Special mention	3,296.3	5.22%	3,558.5	4.55%	4,092.1	4.61%	4,542.2	4.83%
Substandard	304.5	0.48%	239.7	0.30%	492.6	0.56%	400.3	0.43%
Doubtful	199.9	0.31%	318.0	0.41%	233.5	0.26%	378.2	0.40%
Loss	46.3	0.08%	61.2	0.07%	106.6	0.12%	104.7	0.11%
Subtotal	**60,720.8**	**96.08%**	**73,595.6**	**94.02%**	**81,151.8**	**91.39%**	**84,914.9**	**90.22%**
Non-performing loan ratio[1]		**0.91%**		**0.84%**		**1.03%**		**1.04%**
Retail loans								
Pass	2,261.9	3.58%	4,430.8	5.66%	7,395.5	8.33%	8,758.6	9.31%
Special mention	3.1	0.00%	2.1	0.00%	34.4	0.04%	150.2	0.16%
Substandard	10.8	0.02%	35.4	0.05%	21.8	0.02%	23.2	0.02%
Doubtful	16.9	0.03%	15.9	0.02%	14.6	0.02%	13.8	0.01%
Loss	13.8	0.02%	12.0	0.02%	9.5	0.01%	14.4	0.02%
Subtotal	**2,306.5**	**3.65%**	**4,496.2**	**5.75%**	**7,475.8**	**8.42%**	**8,960.2**	**9.52%**
Non-performing loan ratio[1]		**1.80%**		**1.41%**		**0.61%**		**0.57%**
Discounted bills								
Pass	171.8	0.27%	181.5	0.23%	171.7	0.19%	243.3	0.26%
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Subtotal	**171.8**	**0.27%**	**181.5**	**0.23%**	**171.7**	**0.19%**	**243.3**	**0.26%**
Non-performing loan ratio[1]		**—**		**—**		**—**		**—**
Total loans and advances to customers	**63,199.1**	**100.00%**	**78,273.3**	**100.00%**	**88,799.3**	**100.00%**	**94,118.4**	**100.00%**
Non-performing loan ratio[1]		**0.94%**		**0.87%**		**0.99%**		**0.99%**

Note:

(1) Calculated by dividing non-performing loans of each business line by total loans and advances to customers of such business line.

As of December 31, 2012, 2013 and, 2014 and June 30, 2015, the non-performing loan ratios of our total loan portfolio were 0.94%, 0.87%, 0.99% and 0.99%, respectively. Our non-performing loan ratio remained stable as of December 31, 2014 and June 30, 2015. The increase in the non-performing loan ratio from 0.87% as of December 31, 2013 to 0.99% as of December 31, 2014 was mainly because of the deterioration of operating conditions of certain customers in the manufacturing industry. The decrease in the non-performing loan ratio from 0.94% as of December 31, 2012 to 0.87% as of December 31, 2013 was mainly because we continued improving our credit risk management capabilities and adjusting our loan portfolios from time to time in accordance with risk management policies, market conditions and our objectives.

Loans classified as special mention

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our loans to customers that are classified as special mention was RMB3,299.4 million, RMB3,560.6 million, RMB4,126.5 million and RMB4,692.4 million, respectively, representing 5.22%, 4.55%, 4.65% and 4.99%, respectively, of our total loans and advances to customers. The percentage of loans classified as special mention increased from 4.55% as of December 31, 2013 to 4.65% as of December 31, 2014, and further to 4.99% as of June 30, 2015, primarily due to our decision to classify several loans with potential risks as special mention as a result of the slow-down in the PRC economy. The percentage of loans classified as special mention decreased from 5.22% as of December 31, 2012 to 4.55% as of December 31, 2013. The decreases were primarily due to the faster increase in the balance of our loans classified as pass than in the balance of our loans classified as special mention as a result of the continued improvement of our risk control and management.

The following table sets forth the distribution of our loans to customers classified as special mention by the type of collateral as of the dates indicated:

	As of December 31,						**As of June 30,**	
	2012		**2013**		**2014**		**2015**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in millions of RMB, except percentages)							
Unsecured loans	504.4	15.3%	303.3	8.5%	31.1	0.8%	9.6	0.2%
Guaranteed loans	1,897.5	57.5%	1,643.8	46.2%	1,850.5	44.8%	1,238.4	26.4%
Collateralized loans	897.5	27.2%	1,512.1	42.5%	2,083.0	50.5%	3,148.7	67.1%
Pledged loans	—	—	101.4	2.8%	161.9	3.9%	295.7	6.3%
Total loans and advances to customers	**3,299.4**	**100.0%**	**3,560.6**	**100.0%**	**4,126.5**	**100.0%**	**4,692.4**	**100.0%**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, special mention loans secured by mortgages and pledges accounted for 27.2%, 45.3%, 54.4% and 73.4%, respectively, of total loans classified as special mention.

Changes in the Asset Quality of Our Loan Portfolio

Movements in Non-Performing Loans

The table below sets forth the changes in the outstanding balance of non-performing loans as of the dates indicated.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(in millions of RMB)			
Opening balance	**543.2**	**592.2**	**682.2**	**878.6**
Additions[(1)]	6.4	1.1	104.5	119.7
Downgrades	232.5	339.0	299.1	71.4
Upgrades	(16.9)	(23.7)	(40.0)	(4.4)
Recoveries	(173.0)	(90.1)	(167.2)	(130.7)
Write-offs	—	(136.3)	—	—
Closing balance	**592.2**	**682.2**	**878.6**	**934.6**

Note:

(1) Includes non-performing loans incurred as a result of new loans and advances to customers.

The following table sets forth the migration ratio of our loan portfolio for the periods indicated, calculated in accordance with the applicable CBRC requirement.

	For the year ended December 31,			For the six months ended June 30,
	2012	2013	2014	2015
Pass and special mention loans[(1)]	0.89%	0.88%	0.47%	0.17%
Pass loans[(2)]	4.23%	1.26%	4.61%	2.72%
Special mention loans[(3)]	22.64%	17.86%	60.12%	1.22%
Substandard loans[(4)]	45.32%	0.00%	6.71%	2.02%
Doubtful loans[(5)]	4.05%	0.00%	0.00%	0.06%

Notes:

(1) Represents migration ratios of loans classified as pass or special mention which were downgraded to other classifications. The migration ratio of pass and special mention loans represents a fraction, the numerator of which equals the sum of (i) loans classified as pass at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and (ii) loans classified as special mention at the beginning date of the period

and downgraded to non-performing classifications at the end of the period, and the denominator of which equals the sum of (i) the difference between the balance of pass loans at the beginning date of the period and the decrease, in the period, in the loans which were classified as pass at the beginning date of the period, and (ii) the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(2) Represents the migration ratio of loans classified as pass which were downgraded to other classifications. The pass loan migration ratio represents a fraction, the numerator of which equals loans classified as pass at the beginning date of the period and downgraded to lower classifications at the end of the period, and the denominator of which equals the difference between the balance of pass loans at the beginning date of the period and the decrease in such loans in the period.

(3) Represents the migration ratio of loans classified as special mention which were downgraded to other classifications. The special mention loan migration ratio represents a fraction, the numerator of which equals the loans which were classified as special mention at the beginning date of the period and downgraded to lower classifications at the end of the period, and the denominator of which equals the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(4) Represents the migration ratio of loans classified as substandard which were downgraded to lower classifications. The substandard loan migration ratio represents a fraction, the numerator of which equals the loans classified as substandard at the beginning date of the period and downgraded to lower classifications at the end of the period, and the denominator of which equals the difference between the balance of substandard loans at the beginning date of the period and the decrease in such loans in the period.

(5) Represents the migration ratio of loans classified as doubtful which were downgraded to lower classifications. The doubtful loan migration ratio represents a fraction, the numerator of which equals the loans classified as doubtful at the beginning date of the period and downgraded to lower classifications at the end of the period, and the denominator of which equals the difference between the balance of doubtful loans at the beginning date of the period and the decrease in such loans in the period.

The balance of our non-performing loans was RMB592.2 million, RMB682.2 million, RMB878.6 million and RMB934.6 million as of December 31, 2012, 2013 and 2014 and June 30, 2015. The increases were primarily due to deterioration in the financial condition of certain borrowers in the manufacturing and the wholesale and retail industries due to an unfavorable economic and business environment.

Non-performing Loans by Product Type

The table below sets forth non-performing loans by product type as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Corporate loans												
Loans to Small Enterprises and Micro Enterprises	274.6	46.4%	1.12%	345.4	50.7%	1.18%	488.8	55.6%	1.38%	484.8	51.8%	1.19%
Loans to Medium Enterprises	—	—	—	159.4	23.4%	0.63%	247.9	28.2%	0.87%	217.9	23.3%	0.75%
Loans to others(2)	276.1	46.6%	1.51%	114.1	16.7%	0.59%	96.0	11.0%	0.56%	180.5	19.3%	1.20%
Subtotal	**550.7**	**93.0%**	**0.91%**	**618.9**	**90.8%**	**0.84%**	**832.7**	**94.8%**	**1.03%**	**883.2**	**94.4%**	**1.04%**
Retail loans												
Personal business loans	40.5	6.8%	2.01%	61.9	9.1%	1.57%	44.9	5.1%	0.67%	50.3	5.4%	0.64%
Personal consumption loans	—	—	—	0.1	0.0%	0.03%	—	—	—	—	—	—
Residential and commercial property mortgage loans	0.3	0.1%	0.35%	0.3	0.0%	0.20%	0.1	0.0%	0.04%	—	—	—
Credit card overdrafts	—	—	—	0.1	0.0%	0.27%	0.2	0.0%	0.28%	0.5	0.1%	0.65%
Others(3)	0.7	0.1%	33.33%	0.9	0.1%	81.82%	0.7	0.1%	87.50%	0.6	0.1%	85.71%
Subtotal	**41.5**	**7.0%**	**1.80%**	**63.3**	**9.2%**	**1.41%**	**45.9**	**5.2%**	**0.61%**	**51.4**	**5.6%**	**0.57%**
Discounted bills	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total non-performing loans	**592.2**	**100.0%**	**0.94%**	**682.2**	**100.0%**	**0.87%**	**878.6**	**100.0%**	**0.99%**	**934.6**	**100.0%**	**0.99%**

Note:

(1) Calculated by dividing non-performing loans in each product category by total loans and advances to customers in such product category.

(2) Others include Large Enterprises and other institutions.

(3) Primarily include national student loans.

The non-performing loan ratio of corporate loans remained relatively stable at 1.03% as of December 31, 2014 and 1.04% as of June 30, 2015. The non-performing loan ratio of corporate loans increased from 0.84% as of December 31, 2013 to 1.03% as of December 31, 2014, primarily due to the deterioration of operating conditions of certain customers in the manufacturing industry and the wholesale and retail industry. The non-performing loan ratio of corporate loans decreased from 0.91% as of December 31, 2012 to 0.84% as of December 31, 2013, primarily because (i) we continued to improve our credit risk management capability to ensure a relatively high quality of loan portfolios and adjusted our loans in our portfolios from time to time in accordance with our risk management policies, market conditions and objectives, and (ii) we increased our efforts to recover non-performing corporate loans.

The non-performing loan ratio of retail loans decreased from 1.80% as of December 31, 2012 to 1.41% as of December 31, 2013, 0.61% as of December 31, 2014 and to 0.57% as of June 30, 2015, primarily because we enhanced retail loan quality management and timely adjusted our retail loan portfolio.

Non-performing Corporate Loans by Industry

The table below sets forth non-performing corporate loans by industry as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]
	(in millions of RMB, except percentages)											
Manufacturing	409.0	74.3%	2.67%	480.7	77.7%	2.42%	601.3	72.2%	3.02%	523.3	59.3%	2.54%
Wholesale and retail	32.2	5.9%	0.19%	53.9	8.7%	0.26%	156.9	18.8%	0.57%	260.9	29.5%	0.92%
Accommodation and catering	27.1	4.9%	2.34%	27.1	4.4%	2.49%	23.0	2.8%	2.12%	38.0	4.3%	3.34%
Real estate	12.3	2.2%	0.20%	26.3	4.3%	0.33%	26.1	3.1%	0.28%	26.1	3.0%	0.24%
Information transmission, computer services and software	—	—	—	—	—	—	—	—	—	8.0	0.9%	1.66%
Education	7.1	1.3%	0.23%	7.1	1.1%	0.25%	7.1	0.9%	0.26%	7.1	0.8%	0.36%
Transportation, storage and postal services	16.2	2.9%	0.82%	5.6	0.9%	0.31%	5.5	0.7%	0.23%	5.5	0.6%	0.26%
Leasing and business services	19.1	3.5%	0.51%	4.9	0.8%	0.08%	4.9	0.6%	0.09%	5.4	0.6%	0.07%
Construction	0.1	0.0%	0.00%	0.1	0.0%	0.00%	0.1	0.0%	0.00%	2.9	0.3%	0.09%
Public administration and social organizations	2.0	0.4%	0.13%	2.0	0.3%	0.12%	2.0	0.2%	0.24%	2.0	0.2%	0.12%
Cultural, sports and entertainment	1.8	0.3%	0.25%	1.8	0.3%	0.26%	1.8	0.2%	0.77%	1.8	0.2%	0.69%
Agriculture, forestry, animal husbandry and fishery	5.6	1.0%	0.32%	1.4	0.2%	0.09%	1.7	0.2%	0.14%	1.7	0.2%	0.16%
Mining	0.6	0.1%	0.13%	0.5	0.1%	0.06%	0.5	0.1%	0.06%	0.5	0.1%	0.04%
Health, social security and social welfare	17.1	3.1%	3.77%	7.0	1.1%	0.67%	1.8	0.2%	0.20%	—	—	—
Resident services and other services	0.5	0.1%	0.10%	0.5	0.1%	0.09%	—	—	—	—	—	—
Electricity, gas and water production and supply	—	—	—	—	—	—	—	—	—	—	—	—
Finance	—	—	—	—	—	—	—	—	—	—	—	—
Scientific research, technical services and geological prospecting	—	—	—	—	—	—	—	—	—	—	—	—
Water, environment and public facilities management	—	—	—	—	—	—	—	—	—	—	—	—
Total non-performing corporate loans	**550.7**	**100.0%**	**0.91%**	**618.9**	**100.0%**	**0.84%**	**832.7**	**100.0%**	**1.03%**	**883.2**	**100.0%**	**1.04%**

Note:

(1) Calculated by dividing non-performing loans in each industry by total loans and advances to customers in such industry.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, a significant portion of our non-performing corporate loans was concentrated in the manufacturing industry. As of December 31, 2012, 2013 and 2014 and June 30, 2015, non-performing corporate loans to borrowers in this industry accounted for 74.3%, 77.7%, 72.2% and 59.3% of our total non-performing corporate loans, respectively, and the non-performing loan ratio of this industry was 2.67%, 2.42%, 3.02% and 2.54%, respectively, as of December 31, 2012, 2013 and 2014 and June 30, 2015. The relatively higher non-performing loan ratio of the manufacturing industry was primarily because the manufacturing industry correlates with the economic cycle and the financial condition of certain borrowers in this industry deteriorated due to a general slowdown in the PRC economy.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our non-performing loans in the wholesale and retail industry as a percentage of our total non-performing corporate loans was 5.9%, 8.7%, 18.8% and 29.5%, respectively. The non-performing loan ratio of the wholesale and retail industry was 0.19%, 0.26%, 0.57% and 0.92%, respectively, as of December 31, 2012, 2013 and 2014 and June 30, 2015. The increase in the non-performing loans from December 31, 2012 to June 30, 2015 in the wholesale and retail industry was primarily due to the deterioration of the operating conditions of certain customers in the wholesale and retail industry.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our non-performing loans in the accommodation and catering industry as a percentage of our total non-performing corporate loans was 4.9%, 4.4%, 2.8% and 4.3%, respectively. The non-performing loan ratio of such industry was 2.34%, 2.49%, 2.12% and 3.34%, respectively, as of December 31, 2012, 2013 and 2014 and June 30, 2015. The relatively high non-performing loan ratio of the accommodation and catering industry was mainly due to the deterioration of the operating condition of certain customers in this industry.

Non-performing Loans by Geographical Region

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]
	(in millions of RMB, except percentages)											
Jinzhou Region[2]	414.5	70.0%	1.06%	350.2	51.3%	0.76%	279.2	31.8%	0.54%	244.8	26.2%	0.44%
Other Northeastern Region[3]	177.7	30.0%	1.29%	332.0	48.7%	1.75%	445.8	50.7%	2.11%	451.4	48.3%	2.16%
Northern China Region[4]	—	—	—	—	—	—	153.6	17.5%	0.99%	238.4	25.5%	1.37%
Total non-performing loans	**592.2**	**100.0%**	**0.94%**	**682.2**	**100.0%**	**0.87%**	**878.6**	**100.0%**	**0.99%**	**934.6**	**100.0%**	**0.99%**

Note:

(1) Calculated by dividing non-performing loans in each region by total loans and advances to customers in such region.

(2) Jinzhou Region: our headquarters, Jinzhou branch, Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.* (錦州太和益民村鎮銀行股份有限公司), Liaoning Yi County Xianghe Village and Township Bank Co., Ltd.* (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司) and Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行股份有限公司).

(3) Other Northeastern Region (excluding Jinzhou Region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch and Liaoyang branch.

(4) Northern China Region: Beijing branch and Tianjin branch.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the relatively higher non-performing loan ratio in Other Northeastern Region was primarily due to the deterioration in the financial condition of certain borrowers in the manufacturing industry (which was a key industry in the region) resulting from an unfavorable economic and business environment.

Our non-performing loan ratio in Northern China Region was nil, nil, 0.99% and 1.37% as of December 31, 2012, 2013 and 2014 and June 30, 2015. The increases of our non-performing loan ratio in Northern China Region from December 31, 2012 to June 30, 2015 were primarily due to the deterioration of the operating condition of certain customers in that region as a result of the weakening export and import trade condition of that region.

Non-performing Loans by Collateral

The table below sets forth non-performing loans by the type of collateral as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Unsecured loans	0.5	0.1%	0.01%	0.9	0.1%	0.01%	0.9	0.1%	0.01%	1.0	0.1%	0.02%
Guaranteed loans	336.6	56.8%	1.32%	326.8	47.9%	1.25%	561.9	63.9%	2.03%	575.6	61.6%	2.02%
Collateralized loans	251.7	42.5%	0.92%	335.2	49.1%	0.94%	273.9	31.2%	0.66%	316.9	33.9%	0.69%
Pledged loans	3.4	0.6%	0.10%	19.3	2.9%	0.20%	41.9	4.8%	0.34%	41.1	4.4%	0.30%
Total non-performing loans	**592.2**	**100.0%**	**0.94%**	**682.2**	**100.0%**	**0.87%**	**878.6**	**100.0%**	**0.99%**	**934.6**	**100.0%**	**0.99%**

Note:

(1) Calculated by dividing non-performing loans in each type of collateral by total loans and advances to customers in that type of collateral.

Ten Largest Non-performing Borrowers

The table below sets forth the borrowers with the ten largest non-performing loan balances outstanding as of June 30, 2015.

	As of June 30, 2015			
	Industry	Classification	Outstanding balance	% of total non-performing loans
			(in millions of RMB, except percentages)	
Borrower A	Manufacturing	Doubtful	139.4	14.9%
Borrower B	Manufacturing	Substandard	85.0	9.2%
Borrower C	Manufacturing	Substandard	49.8	5.3%
Borrower D	Manufacturing	Loss	45.3	4.8%
Borrower E	Manufacturing	Loss	39.6	4.2%
Borrower F	Wholesale and retail	Substandard	30.0	3.2%
Borrower G	Manufacturing	Substandard	30.0	3.2%
Borrower H	Wholesale and retail	Substandard	30.0	3.2%
Borrower I	Manufacturing	Substandard	30.0	3.2%
Borrower J	Manufacturing	Substandard	22.0	2.4%
Total			**501.1**	**53.6%**

Loan Aging Schedule

The following table sets forth the loan aging schedule for loans and advances to customers as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans not overdue	62,795.4	99.4%	77,634.8	99.2%	86,921.7	97.9%	91,572.3	97.3%
Loans past due for:								
1 days to 90 days	43.3	0.1%	83.5	0.1%	971.3	1.1%	1,582.7	1.7%
91 days to 180 days	78.2	0.1%	77.1	0.1%	277.5	0.3%	133.1	0.1%
181 days to 1 year	1.2	0.0%	211.1	0.3%	154.9	0.2%	243.8	0.3%
1 year or more	281.0	0.4%	266.8	0.3%	473.9	0.5%	586.5	0.6%
Subtotal	403.7	0.6%	638.5	0.8%	1,877.6	2.1%	2,546.1	2.7%
Total loans and advances to customers	**63,199.1**	**100.0%**	**78,273.3**	**100.0%**	**88,799.3**	**100.0%**	**94,118.4**	**100.0%**

Allowance for Impairment Losses on Loans and Advances to Customers

We assess our loan portfolio to determine and recognize allowance for impairment losses on loans and advances to customers in accordance with IAS 39. Our loans are reported net of allowance for impairment losses on our consolidated statement of financial position.

Loans which are considered individually significant are assessed individually for impairment. We perform individual assessments to determine the allowance for impairment losses against such loans, if there is objective evidence of impairment as a result of new events occurring after the initial recognition of loans that affect their estimated future cash flows. The allowance for impairment losses on loans is measured as the difference between the carrying amounts and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future recoverable cash flows of the loans, including the recoverable value of the collateral.

Loans which are assessed collectively for impairment include individually assessed loans with no objective evidence of impairment on an individual basis, and homogeneous groups of loans which are not considered individually significant and not assessed individually. Loans are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is not possible to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of assets since the initial recognition of those assets. The allowance for impairment losses on the collectively assessed loans is assessed based on our historical loss experience in similar portfolios and on prevailing economic conditions.

For further discussion on individually and collectively assessed allowances, see Note 2(5)(ii) to the financial information set out in Appendix I — "Accountants' Report".

The table below sets forth allowance for impairment losses of loans to our customers as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	Allowance to loans(1)	Allowance to NPLs(2)	Amount	Allowance to loans(1)	Allowance to NPLs(2)	Amount	Allowance to loans(1)	Allowance to NPLs(2)	Amount	Allowance to loans(1)	Allowance to NPLs(2)
	(in millions of RMB, except percentages)											
Individually assessed	343.0	57.92%	57.92%	513.3	75.24%	75.24%	546.9	62.25%	62.25%	637.4	68.20%	68.20%
Collectively assessed	1,075.0	1.72%	N/A	1,031.2	1.33%	N/A	1,703.6	1.94%	N/A	2,911.8	3.12%	N/A
Total allowance for impairment losses	**1,418.0**	**2.24%**	**239.45%**	**1,544.5**	**1.97%**	**226.40%**	**2,250.5**	**2.53%**	**256.15%**	**3,549.2**	**3.77%**	**379.76%**

Notes:

(1) Calculated by dividing the amount of allowance for impairment losses by total loans and advances to customers in each category.

(2) Calculated by dividing the amount of allowance for impairment losses by total non-performing loans in each category.

Allowance for Impairment Losses on Loans and Advances to Customers by Loan Classification

The table below sets forth allowance for impairment losses on loans and advances to customers by loan classification as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	% of total	Allowance to loans[1]	Amount	% of total	Allowance to loans[1]	Amount	% of total	Allowance to loans[1]	Amount	% of total	Allowance to loans[1]
	(in millions of RMB, except percentages)											
Pass	814.2	57.4%	1.37%	803.8	52.0%	1.09%	1,288.8	57.3%	1.54%	2,435.7	68.6%	2.75%
Special mention	260.8	18.4%	7.90%	227.4	14.7%	6.39%	414.8	18.4%	10.05%	476.1	13.4%	10.15%
Substandard	134.6	9.5%	42.69%	141.7	9.2%	51.51%	202.2	9.0%	39.31%	166.4	4.7%	39.29%
Doubtful	148.3	10.5%	68.40%	298.4	19.3%	89.37%	228.6	10.1%	92.14%	351.9	9.9%	89.77%
Loss	60.1	4.2%	100.00%	73.2	4.8%	100.00%	116.1	5.2%	100.00%	119.1	3.4%	100.00%
Total allowance for impairment losses	**1,418.0**	**100.0%**	**2.24%**	**1,544.5**	**100.0%**	**1.97%**	**2,250.5**	**100.0%**	**2.53%**	**3,549.2**	**100.0%**	**3.77%**

Note:

(1) Calculated by dividing the amount of allowance for impairment losses by total loans and advances to customers in each category.

The table below sets forth the allocation of allowance for impairment losses on loans and advances to customers by business line and by loan classification as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	Allowance to loans(1)	Allowance to NPLs(2)	Amount	Allowance to loans(1)	Allowance to NPLs(2)	Amount	Allowance to loans(1)	Allowance to NPLs(2)	Amount	Allowance to loans(1)	Allowance to NPLs(2)
	(in millions of RMB, except percentages)											
Corporate loans												
Pass	782.9	1.38%	N/A	748.8	1.08%	N/A	1,222.5	1.60%	N/A	2,310.6	2.91%	N/A
Special mention	260.4	7.90%	N/A	226.8	6.37%	N/A	413.4	10.10%	N/A	471.1	10.37%	N/A
Substandard	132.1	43.38%	43.38%	129.6	54.07%	54.07%	194.9	39.57%	39.57%	157.8	39.42%	39.42%
Doubtful	137.2	68.63%	68.63%	287.4	90.38%	90.38%	218.4	93.53%	93.53%	340.9	90.14%	90.14%
Loss	46.3	100.00%	100.00%	61.2	100.00%	100.00%	106.6	100.00%	100.00%	104.7	100.00%	100.00%
Subtotal	**1,358.9**	**2.24%**	**246.76%**	**1,453.8**	**1.98%**	**234.90%**	**2,155.8**	**2.66%**	**258.89%**	**3,385.1**	**3.99%**	**383.28%**
Discounted bills												
Pass	1.1	0.64%	N/A	0.9	0.50%	N/A	0.9	0.52%	N/A	2.2	0.90%	N/A
Special mention	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	**1.1**	**0.64%**	**N/A**	**0.9**	**0.50%**	**N/A**	**0.9**	**0.52%**	**N/A**	**2.2**	**0.90%**	**N/A**
Retail loans												
Pass	30.2	1.34%	N/A	54.1	1.22%	N/A	65.4	0.88%	N/A	122.9	1.40%	N/A
Special mention	0.4	12.90%	N/A	0.6	28.57%	N/A	1.4	4.07%	N/A	5.0	3.33%	N/A
Substandard	2.5	23.15%	23.15%	12.1	34.18%	34.18%	7.3	33.49%	33.49%	8.6	37.07%	37.07%
Doubtful	11.1	65.68%	65.68%	11.0	69.18%	69.18%	10.2	69.86%	69.86%	11.0	79.71%	79.71%
Loss	13.8	100.00%	100.00%	12.0	100.00%	100.00%	9.5	100.00%	100.00%	14.4	100.00%	100.00%
Subtotal	**58.0**	**2.51%**	**139.76%**	**89.8**	**2.00%**	**141.86%**	**93.8**	**1.25%**	**204.36%**	**161.9**	**1.81%**	**314.98%**
Total	**1,418.0**	**2.24%**	**239.45%**	**1,544.5**	**1.97%**	**226.40%**	**2,250.5**	**2.53%**	**256.15%**	**3,549.2**	**3.77%**	**379.76%**

Notes:

(1) Calculated by dividing the amount of allowance for impairment losses by total loans and advances to customers in each category.

(2) Calculated by dividing the amount of allowance for impairment losses by total non-performing loans in each category.

Changes to the Allowance for Impairment Losses on Loans and Advances to Customers

The table below sets forth the changes to the allowance for impairment losses on loans and advances to customers as of the dates indicated.

	Amount
	(in millions of RMB)
As of January 1, 2012	**1,124.1**
New allowance[1]	298.6
Unwinding of discount on allowance	(10.9)
Transfers out[2]	—
Written off	—
Recovered	6.2
As of December 31, 2012	**1,418.0**
New allowance[1]	273.2
Unwinding of discount on allowance	(7.6)
Transfers out[2]	(3.2)
Written off	(136.3)
Recovered	0.4
As of December 31, 2013	**1,544.5**
New allowance[1]	706.3
Unwinding of discount on allowance	(6.2)
Transfers out[2]	—
Written off	—
Recovered	5.9
As of December 31, 2014	**2,250.5**
New allowance[1]	1,299.4
Unwinding of discount on allowance	(1.4)
Transfers out[2]	—
Written off	—
Recovered	0.7
As of June 30, 2015	**3,549.2**

Notes:

(1) Represents our recognition of net allowance for impairment losses on loans in consolidated statements of profit and loss and other comprehensive income.

(2) Include the transfer out of allowances for impairment losses resulting from the transfer of loan assets to foreclosed assets.

Allowance for Impairment Losses on Loans and Advances to Customers by Product Type

The table below sets forth allowance for impairment losses on loans and advances to customers by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	Allowance to NPLs[(1)]	Amount	Allowance to NPLs[(1)]	Amount	Allowance to NPLs[(1)]	Amount	Allowance to NPLs[(1)]
	(in millions of RMB, except percentages)							
Corporate loans								
Loans to Small Enterprises and Micro Enterprises	661.1	240.75%	674.1	195.17%	950.2	194.39%	1,443.9	297.83%
Loans to Medium Enterprises	306.4	N/A	498.7	312.86%	885.3	357.12%	1,406.9	645.66%
Loans to others[(2)]	391.4	141.76%	281.0	246.28%	320.3	333.65%	534.3	296.01%
Subtotal	**1,358.9**	**246.76%**	**1,453.8**	**234.90%**	**2,155.8**	**258.89%**	**3,385.1**	**383.28%**
Discounted bills								
Bank acceptance bills	1.1	N/A	0.9	N/A	0.9	N/A	2.2	N/A
Subtotal	**1.1**	**N/A**	**0.9**	**N/A**	**0.9**	**N/A**	**2.2**	**N/A**
Retail loans								
Personal business loans	53.5	132.10%	82.8	133.76%	86.8	193.32%	146.6	291.45%
Personal consumption loans	2.6	N/A	4.1	4,100.00%	4.1	N/A	9.8	N/A
Residential and commercial properties mortgage loans	1.4	466.67%	1.8	600.00%	1.7	1,700.00%	3.5	N/A
Credit card overdrafts	0.2	N/A	0.8	800.00%	1.0	500.00%	1.7	340.00%
Others[(3)]	0.3	42.86%	0.3	33.33%	0.2	28.57%	0.3	50.00%
Subtotal	**58.0**	**139.76%**	**89.8**	**141.86%**	**93.8**	**204.36%**	**161.9**	**314.98%**
Total allowance for impairment losses	**1,418.0**	**239.45%**	**1,544.5**	**226.40%**	**2,250.5**	**256.15%**	**3,549.2**	**379.76%**

Note:

(1) Calculated by dividing the amount of allowance for impairment losses by total non-performing loans in each product category.

(2) Include Large Enterprises and other institutions.

(3) Primarily include national student loans.

Allowance for Impairment Losses on Corporate Loans by Industry

The table below sets forth allowance for impairment losses for corporate loans by industry as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	% of total	Allowance to NPLs[1]	Amount	% of total	Allowance to NPLs[1]	Amount	% of total	Allowance to NPLs[1]	Amount	% of total	Allowance to NPLs[1]
	(in millions of RMB, except percentages)											
Manufacturing	553.8	40.8%	135.40%	688.0	47.3%	143.12%	982.6	45.6%	163.41%	1,231.1	36.4%	235.26%
Real estate	107.6	7.9%	874.80%	106.7	7.3%	405.70%	394.3	18.3%	1,510.73%	749.5	22.1%	2,871.65%
Wholesale and retail	258.0	19.0%	801.24%	274.8	18.9%	509.83%	321.0	14.9%	204.59%	590.5	17.5%	226.33%
Construction	33.5	2.5%	33,500.00%	43.7	3.0%	43,700.00%	153.5	7.1%	153,500.00%	235.0	6.9%	8,103.45%
Water, environment and public facilities management	43.0	3.1%	N/A	21.2	1.5%	N/A	66.8	3.1%	N/A	109.8	3.2%	N/A
Mining	11.4	0.8%	1,900.00%	12.5	0.9%	2,500.00%	49.1	2.3%	9,820.00%	101.2	3.0%	20,240.00%
Leasing and business services	78.8	5.8%	412.57%	99.5	6.8%	2,030.61%	42.4	2.0%	865.31%	95.2	2.8%	1,762.96%
Public administration and social organizations	26.9	2.0%	1,345.00%	20.2	1.4%	1,010.00%	25.4	1.2%	1,270.00%	84.4	2.5%	4,220.00%
Health, social security and social welfare	18.1	1.3%	105.85%	19.9	1.4%	284.29%	27.0	1.3%	1,500.00%	39.7	1.2%	N/A
Accommodation and catering	33.6	2.5%	123.99%	29.4	2.0%	108.49%	17.6	0.8%	76.52%	34.7	1.0%	91.32%
Education	52.2	3.8%	735.21%	36.0	2.5%	507.04%	26.5	1.2%	373.24%	32.1	0.9%	452.11%
Transportation, storage and postal services	36.4	2.7%	224.69%	22.0	1.5%	392.86%	19.4	0.9%	352.73%	30.3	0.9%	550.91%
Agriculture, forestry, animal husbandry and fishery	28.2	2.1%	503.57%	22.0	1.5%	1,571.43%	14.0	0.6%	823.53%	18.2	0.5%	1,070.59%
Electricity, gas and water production and supply	12.5	0.9%	N/A	10.6	0.7%	N/A	7.2	0.3%	N/A	12.8	0.4%	N/A
Information transmission, computer services and software	8.9	0.7%	N/A	7.4	0.5%	N/A	3.2	0.1%	N/A	9.0	0.3%	112.50%
Cultural, sports and entertainment	32.7	2.4%	1,816.67%	25.8	1.8%	1,433.33%	3.4	0.2%	188.89%	5.1	0.2%	283.33%
Resident services and other services	20.3	1.5%	4,060.00%	11.7	0.8%	2,340.00%	1.1	0.1%	N/A	3.5	0.1%	N/A
Scientific research, technical services and geological prospecting	1.1	0.1%	N/A	1.2	0.1%	N/A	0.8	0.0%	N/A	1.7	0.1%	N/A
Finance	1.9	0.1%	N/A	1.2	0.1%	N/A	0.5	0.0%	N/A	1.3	0.0%	N/A
Total allowance for corporate loans	**1,358.9**	**100.0%**	**246.76%**	**1,453.8**	**100.0%**	**234.90%**	**2,155.8**	**100.0%**	**258.89%**	**3,385.1**	**100.0%**	**383.28%**

Note:

(1) Calculated by dividing the amount of allowance for impairment losses by total non-performing loans in each industry.

Allowance for Impairment Losses on Loans and Advances to Customers by Geographical Region

The table below sets forth allowance for impairment losses on loans and advances to customers by geographical region as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)
	(in millions of RMB, except percentages)											
Jinzhou Region(2)	983.7	69.4%	237.32%	896.7	58.1%	256.05%	1,245.9	55.4%	446.24%	1,981.7	55.8%	809.52%
Other Northeastern Region(3)	294.4	20.7%	165.67%	510.3	33.0%	153.70%	759.4	33.7%	170.35%	1,096.7	30.9%	242.96%
Northern China Region(4)	139.9	9.9%	N/A	137.5	8.9%	N/A	245.2	10.9%	159.64%	470.8	13.3%	197.48%
Total	**1,418.0**	**100.0%**	**239.45%**	**1,544.5**	**100.0%**	**226.40%**	**2,250.5**	**100.0%**	**256.15%**	**3,549.2**	**100.0%**	**379.76%**

Note:

(1) Calculated by dividing the amount of allowance for impairment losses by total non-performing loans in each region.

(2) Jinzhou Region: our headquarters, Jinzhou branch, Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.* (錦州太和益民村鎮銀行股份有限公司), Liaoning Yi County Xianghe Village and Township Bank Co., Ltd.* (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司) and Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行股份有限公司).

(3) Other Northeastern Region (excluding Jinzhou Region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch and Liaoyang branch.

(4) Northern China Region: Beijing branch and Tianjin branch.

Investment Securities and Other Financial Assets

Investment securities and other financial assets consist of debt securities, equity securities, investments using funds of wealth management products, debt securities classified as receivables and precious metal. Investment securities and other financial assets was the largest component of our assets as of June 30, 2015. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had investment securities and other financial assets, net of RMB24,028.0 million, RMB58,009.8 million, RMB113,842.6 million and RMB166,377.2 million, respectively, accounting for 19.5%, 33.1%, 45.4% and 53.2% of our total assets, respectively.

The table below sets forth the components of our investment securities and other financial assets as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Debt securities								
Held-to-maturity investments	7,925.4	33.0%	7,587.6	13.1%	7,339.6	6.4%	10,290.6	6.2%
Available-for-sale debt investments	9,760.1	40.6%	14,884.2	25.7%	17,197.9	15.1%	16,818.3	10.1%
Financial assets at fair value through profit or loss	324.2	1.4%	58.5	0.1%	62.5	0.1%	62.9	0.1%
Sub-total	**18,009.7**	**75.0%**	**22,530.3**	**38.9%**	**24,600.0**	**21.6%**	**27,171.8**	**16.4%**
Precious metals								
Financial assets at fair value through profit or loss	—	—	—	—	—	—	11.7	0.0%
Sub-total	**—**	**—**	**—**	**—**	**—**	**—**	**11.7**	**0.0%**
Equity securities								
Available-for-sale equity investments	58.3	0.2%	58.3	0.1%	58.3	0.1%	58.3	0.0%
Sub-total	**58.3**	**0.2%**	**58.3**	**0.1%**	**58.3**	**0.1%**	**58.3**	**0.0%**
Debt securities classified as receivables, net[(1)]								
Wealth management products issued by financial institutions	1,660.0	6.9%	3,271.8	5.6%	2,773.2	2.4%	8,863.5	5.3%
Beneficial interest transfer plans, net	4,300.0	17.9%	32,149.4	55.4%	76,483.3	67.2%	115,921.7	69.7%
Sub-total	**5,960.0**	**24.8%**	**35,421.2**	**61.0%**	**79,256.5**	**69.6%**	**124,785.2**	**75.0%**
Investments using funds of wealth management products								
Financial assets at fair value through profit or loss	—	—	—	—	9,927.8	8.7%	14,350.2	8.6%
Sub-total	**—**	**—**	**—**	**—**	**9,927.8**	**8.7%**	**14,350.2**	**8.6%**
Total investment securities and other financial assets, net	**24,028.0**	**100.0%**	**58,009.8**	**100.0%**	**113,842.6**	**100.0%**	**166,377.2**	**100.0%**

Note:

(1) As of December 31, 2012, 2013 and 2014 and June 30, 2015, allowance for impairment losses of debt securities classified as receivables were nil, nil, RMB78.3 million and RMB313.6 million, respectively.

As of June 30, 2015, our investment securities and other financial assets, net amounted to RMB166,377.2 million, representing an increase of 46.1% from RMB113,842.6 million as of December 31, 2014. Our investment securities and other financial assets, net increased by 141.4% from RMB24,028.0 million as of December 31, 2012 to RMB58,009.8 million as of December 31, 2013 and further increased by 96.2% to RMB113,842.6 million as of December 31, 2014. Such increases were primarily due to an increase in our debt securities classified as receivables as a result of the implementation of our strategy to diversify our products and services and expand our treasury business.

Debt Securities

As of December 31, 2012, 2013 and 2014 and June 30, 2015, debt securities accounted for 75.0%, 38.9%, 21.6% and 16.4%, respectively, of our investment securities and other financial assets, net. As of June 30, 2015, our debt securities amounted to RMB27,171.8 million, representing an increase of 10.5% from RMB24,600 million as of December 31, 2014. Our investment in debt securities increased by 25.1% from RMB18,009.7 million as of December 31, 2012 to RMB22,530.3 million as of December 31, 2013 and further increased by 9.2% from RMB22,530.3 million as of December 31, 2013 to RMB24,600.0 million as of December 31, 2014. The increases in our total debt securities in absolute terms from December 31, 2012 to June 30, 2015 were primarily due to (i) our increased holding of debt securities to be used as liquidity risk mitigation tools to strengthen liquidity management, and (ii) an increase in our funds available for investment. The decreases of our debt securities as a percentage of our total investment securities and other financial assets from December 31, 2012 to June 30, 2015 were primarily due to the faster increase of our debt securities classified as receivables in recent years.

The following table sets forth, as of the dates indicated, the components of our debt securities:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Government bonds	4,997.0	27.7%	4,768.8	21.2%	4,770.6	19.4%	4,721.5	17.4%
Bonds issued by policy banks	6,457.2	35.9%	7,446.4	33.1%	8,743.8	35.5%	7,986.3	29.4%
Bonds issued by other banks and financial institutions	2,331.9	12.9%	6,396.8	28.3%	6,824.6	27.8%	8,454.6	31.1%
Corporate bonds	4,223.6	23.5%	3,918.3	17.4%	4,261.0	17.3%	6,009.4	22.1%
Total debt securities	**18,009.7**	**100.0%**	**22,530.3**	**100.0%**	**24,600.0**	**100.0%**	**27,171.8**	**100.0%**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our government bonds, bonds issued by policy banks and bonds issued by other banks and financial institutions was RMB13,786.1 million, RMB18,612.0 million, RMB20,339.0 million and RMB21,162.4 million, respectively, accounting for 76.5%, 82.6%, 82.7% and 77.9% of our total investment in debt securities, respectively. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our corporate bonds was RMB4,223.6 million, RMB3,918.3 million, RMB4,261.0 million and RMB6,009.4 million, accounting for 23.5%, 17.4%, 17.3% and 22.1%, respectively, of our total debt securities.

The increase of the proportion of our corporate bonds in our investments in debt securities and the decrease of the proportion of our government bonds, bonds issued by policy banks and bonds issued by other banks and financial institutions in aggregate in our investments in debt securities from December 31, 2014 to June 30, 2015 were primarily attributable to our decision to invest in debt securities with higher yield whilst maintaining reasonable level of liquidity. The decreases in the proportion of our corporate bonds in our total investments in debt securities and the increases in the proportion of our government bonds, bonds issued by policy banks and bonds issued by other banks and financial institutions in aggregate in our total investments in debt securities from December 31, 2012 to December 31, 2014 were primarily because we reduced the proportion of investments in corporate bonds to better balance liquidity risk and return.

The following table sets forth the distribution of our investment in debt securities between fixed interest rate and floating interest rate as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Fixed interest rate	14,882.7	82.6%	20,826.4	92.4%	22,968.4	93.4%	25,997.3	95.7%
Floating interest rate	3,127.0	17.4%	1,703.9	7.6%	1,631.6	6.6%	1,174.5	4.3%
Total debt securities	**18,009.7**	**100.0%**	**22,530.3**	**100.0%**	**24,600.0**	**100.0%**	**27,171.8**	**100.0%**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, all of the debt securities that we held were denominated in Renminbi and issued by domestic issuers.

The table below sets forth our debt securities by remaining maturity as of June 30, 2015.

	As of June 30, 2015				
	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due over 5 years	Total
	(in millions of RMB)				
Government bonds	—	419.7	2,907.2	1,394.6	4,721.5
Bonds issued by policy banks	715.3	2,211.5	3,621.4	1,438.1	7,986.3
Bonds issued by other banks and financial institutions	428.9	1,128.6	655.0	6,242.1	8,454.6
Corporate bonds	1,529.5	1,390.6	1,795.2	1,294.1	6,009.4
Total debt securities	**2,673.7**	**5,150.4**	**8,978.8**	**10,368.9**	**27,171.8**

Equity Securities

As of December 31, 2012, 2013 and 2014 and June 30, 2015, equity securities accounted for 0.2%, 0.1%, 0.1% and 0.0%, respectively, of our investment securities and other financial assets. Our investment in available-for-sale equity securities primarily consisted of equity investments in City Commercial Banks Settlement Center* (城市商業銀行資金清算中心), Bank of Liaoyang Co., Ltd.* (遼陽銀行股份有限公司) and China UnionPay.

Debt Securities Classified as Receivables, net

Our debt securities classified as receivables, net as a percentage of our investment securities and other financial assets increased from 24.8% as of December 31, 2012 to 61.0% as of December 31, 2013, and further increased to 69.6% as of December 31, 2014 and 75.0% as of June 30, 2015. The increases of our debt securities classified as receivables from December 31, 2012 to June 30, 2015 were primarily due to (i) an increase in the funds available for investment, (ii) our enhanced business cooperation with banks and other financial institutions, and (iii) our increased investment in beneficial interest transfer plans to increase return and adjust our investment portfolio. See also "Risk Factors — Risks Relating to our Business — We have made substantial investments in debt securities classified as receivables, and any adverse development relating to these types of investments could materially and adversely affect our profitability and liquidity".

Our investment in wealth management products issued by financial institutions increased by 219.6% from RMB2,773.2 million as of December 31, 2014 to RMB8,863.5 million as of June 30, 2015, primarily due to (i) our further enhanced cooperation with banks and other financial institutions, and (ii) an increase in the funds available for investment. Our investment in wealth management products issued by financial institutions increased by 97.1% from RMB1,660.0 million as of December 31, 2012 to RMB3,271.8 million as of December 31, 2013, primarily due to (i) our enhanced cooperation with banks and other financial institutions, and (ii) an increase in the funds available for investment. Our investment in wealth management products issued by financial institutions decreased by 15.2% from RMB3,271.8 million as of December 31, 2013 to RMB2,773.2 million as of December 31, 2014, primarily due to our decision to adjust our investment strategy to focus on beneficial interest transfer plans which offer higher yields.

Our investment in beneficial interest transfer plans primarily consists of beneficial interest transfer plans linked with asset management plans and beneficial interest transfer plans linked with trust plans. The net balance of our beneficial interest transfer plans increased by 647.7% from RMB4,300.0 million as of December 31, 2012 to RMB32,149.4 million as of December 31, 2013, increased by 137.9% to RMB76,483.3 million as of December 31, 2014, and further increased by 51.6% to RMB115,921.7 million as of June 30, 2015. Such increases were primarily due to (i) increases in our funds available for investments and expansion of our investment portfolios, (ii) our increasing business cooperation with banks and other financial institutions, and (iii) our decision to invest in assets with higher returns.

Since 2014 and up to the Latest Practicable Date, we had credit exposure to one particular group borrower (the "**Relevant Group Borrower**"), who was subject to negative media reports on its business and financial position. The majority of this exposure was attributable to (i) our investments in the beneficial interest transfer plans linked with the Relevant Group Borrower (the "**Relevant Beneficial Interest Transfer Plans**"), and (ii) our investments in the debt instruments issued by members of the Relevant Group Borrower through private placements on domestic trading platforms in the PRC using funds obtained through the issuance of non-principal-guaranteed wealth management products by us ("**Type A Debt Instruments**"). In compliance with the applicable accounting standards and our accounting policies, we recognized both the Relevant Beneficial Transfer Plans and the Type A Debt Instruments under our beneficial interest transfer plans. The Type A Debt Instruments and part of the Relevant Beneficial Interest Transfer Plans were secured by (i) shares of a company within the Relevant Group Borrower (the "**Relevant Listco**") which is listed on the Main Board of the Stock Exchange, and (ii) guarantee provided by the holding company and the ultimate controlling shareholder of the Relevant Group Borrower. Since May 2015, according to public information, the Relevant Listco has been under investigation by the SFC and, as of the Latest Practicable Date, the trading of its shares was suspended, causing uncertainty over the value of the Relevant Listco shares pledged to us as collateral.

As of December 31, 2014 and June 30, 2015, the balance of our investments in the Relevant Beneficial Interest Transfer Plans were RMB8,497.0 million and RMB7,461.0 million, respectively, among which RMB6,000.0 million and RMB1,970.0 million, respectively, counted towards our total credit risk exposure (being the total amount of such part of the assets, the credit risk of which is not fully covered by collateral or otherwise hedged out to third parties). As of December 31, 2014 and June 30, 2015, the balance of our investments in the Type A Debt Instruments were RMB200.0 million and RMB1,200.0 million, respectively, none of which counted towards our credit risk exposure as the associated credit risks were hedged out to third parties through the issuance of non-principal-guaranteed wealth management products by us. We subsequently reduced our net credit risk exposure to the Relevant Group Borrower in respect of the Relevant Beneficial Interest Transfer Plans by disposing of at face value, or, accepting early repayment of, part of the amounts advanced to the Relevant Group Borrower through the Relevant Beneficial Interest Transfer Plans.

As of the Latest Practicable Date, our credit exposure to the Relevant Beneficial Interest Plans was RMB3,690.0 million, all of which was fully secured by certificates of deposits issued by us to members of the Relevant Group Borrower in the aggregate amount of RMB3,700.0 million and hence did not count towards our credit risk exposure. As of the Latest Practicable Date, our credit exposure to the Type A Debt Instruments were RMB1,000 million, none of which counted towards our credit risk exposure. Based on the assessment of the credit risk profile of Relevant Beneficial Interest Transfer Plans the Type A Debt Instruments and after taking necessary risk management measures, our Directors are of the view that no provision for impairment losses on our investments in the Relevant Beneficial Interest Transfer Plans and the Type A Debt Instruments was required as of June 30, 2015 and the Latest Practicable Date. See also "Risk Factors — Risks Relating to Our Business — We are exposed to risks associated with one particular ultimate group borrower." See also "Summary — Recent Developments".

Investments Using Funds of Wealth Management Products

As of December 31, 2012 and 2013, we credited our investments using funds of wealth management products to a corresponding item of the product we invested in according to our investment intentions. Our investments using funds of wealth management products was accounted for separately since June 2014. As of December 31, 2014 and June 30, 2015, the balance of our investments using funds of wealth management products amounted to RMB9,927.8 million and RMB14,350.2 million, respectively. The increase in our investments using funds of wealth management products from December 31, 2014 to June 30, 2015 was primarily due to the increase of the funds available for investment as a result of the growth of the scale of wealth management products issued by us. A total balance of RMB800.0 million was invested in debt instruments ("**Type B Debt Instruments**") secured by the shares of the Relevant Listco and issued by members of the Relevant Group Borrower through private placements on domestic trading platforms in the PRC using funds obtained from the issuance principal-guaranteed wealth management products by us as of both December 31, 2014 and June 30, 2015. All of our Type B Debt Instruments were repaid in advance in full by the Relevant Group Borrower in August 2015. See also "Risk Factors — Risks Relating to Our Business — We are exposed to risks associated with one particular ultimate group borrower." See also "Summary — Recent Developments".

Remaining Maturity of Our Investment Securities and Other Financial Assets

The following table sets forth the balance of our investment securities and other financial assets by remaining maturity as of June 30, 2015.

	As of June 30, 2015					
	Due 3 months or less	Due between 3 months and 1 year	Due between 1 and 5 years	Due more than 5 years	Indefinite	Total
	(in millions of RMB)					
Held-to-maturity investments	1,856.3	2,123.3	3,456.7	2,854.3	—	10,290.6
Available-for-sale financial assets	817.4	3,027.1	5,459.2	7,514.6	58.3	16,876.6
Financial assets at fair value through profit or loss	4,369.5	9,992.4	62.9	—	—	14,424.8
Debt Securities classified as receivables, net	14,499.8	54,813.9	55,471.5	—	—	124,785.2
Total	**21,543.0**	**69,956.7**	**64,450.3**	**10,368.9**	**58.3**	**166,377.2**

Carrying Value and Market Value

All investment securities classified as available-for-sale and financial assets at fair value through profit or loss are stated at fair value. The table below sets forth the carrying value and market value of held-to-maturity securities as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(in millions of RMB)							
Held-to-maturity securities	7,925.4	7,850.7	7,587.6	7,089.1	7,339.6	7,283.1	10,290.6	10,316.5

Investment Concentration

The table below sets forth our top 13 largest holdings of investment securities and other financial assets as of June 30, 2015.

	As of June 30, 2015			
	Carrying value	% of total investment portfolio	% of total shareholders' equity[(1)]	Fair value
	(in millions of RMB, except percentages)			
Investment A	2,000.0	1.2%	11.9%	2,000.0
Investment B	1,800.0	1.1%	10.7%	1,800.0
Investment C	1,700.0	1.0%	10.1%	1,700.0
Investment D	1,550.0	0.9%	9.2%	1,550.0
Investment E	1,540.1	0.9%	9.1%	1,541.5
Investment F	1,500.0	0.9%	8.9%	1,500.0
Investment G	1,500.0	0.9%	8.9%	1,500.0
Investment H	1,500.0	0.9%	8.9%	1,500.0
Investment I	1,500.0	0.9%	8.9%	1,500.0
Investment J	1,500.0	0.9%	8.9%	1,500.0
Investment K	1,500.0	0.9%	8.9%	1,500.0
Investment L	1,500.0	0.9%	8.9%	1,500.0
Investment M	1,500.0	0.9%	8.9%	1,500.0
Total	**20,590.1**	**12.3%**	**122.2%**	**20,591.5**

Note:

(1) For a calculation of total shareholders' equity, see "Financial Information — Capital Resources — Shareholders' Equity."

Other Components of Assets

Other components of our assets primarily include (i) cash and deposits with the central bank, (ii) deposits with banks and other financial institutions, (iii) placements with banks and other financial institutions, and (iv) financial assets held under resale agreements.

Cash and deposits with the central bank primarily consist of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum amount of cash we are required to deposit with the PBOC, which is determined as a percentage of total deposits from customers. Surplus deposit reserves are deposits with the PBOC in excess of statutory deposit reserves. Cash and deposits with the central bank increased from RMB22,713.2 million as of December 31, 2012 to RMB23,258.6 million as of December 31, 2013 and RMB30,170.5 million as of December 31, 2014, and further increased by 1.8% to RMB30,706.0 million as of June 30, 2015, primarily due to an increase in our deposits from customers, which resulted in an increase in the statutory deposit reserves, partially offset by the PBOC's decisions to reduce the statutory deposit reserve ratio in May 2012, February 2015 and April 2015.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our deposits with banks and other financial institutions amounted to RMB8,759.2 million, RMB9,698.2 million, RMB12,520.6 million and RMB16,078.9 million, accounting for 7.1%, 5.5%, 5.0% and 5.1% of our total assets, respectively. The increases in our deposits with banks and other financial institutions in absolute terms from December 31, 2012 to June 30, 2015 were primarily due to (i) our enhanced business cooperation with other banks and financial institutions, and (ii) increasing funds available for investment.

We lend funds to banks and other financial institutions through the interbank lending market. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our placements with banks and other financial institutions amounted to nil, RMB1,980.6 million, nil and RMB912.3 million, respectively. Our placements with banks and other financial institutions increased from nil as of December 31, 2014 to RMB912.3 million as of June 30, 2015, primarily due to our decision to place our excess funds denominated in foreign currencies with other banks and financial institutions in the first half of 2015. Our placements with banks and other financial institutions decreased from RMB1,980.6 million as of December 31, 2013 to nil as of December 31, 2014, primarily due to our decision to terminate the domestic RMB-denominated inter-bank payment business in which we acted as trustee. Our placements with banks and other financial institutions increased from nil as of December 31, 2012 to RMB1,980.6 million as of December 31, 2013, primarily due to an increase in the volume of our inter-bank payment business.

Our financial assets held under resale agreements amounted to RMB1,147.2 million, nil, nil and nil as of December 31, 2012, 2013 and December 31, 2014 and June 30, 2015. The decrease in the amount of our financial assets held under resale agreements from December 31, 2012 to June 30, 2015 was primarily because we closed out our position on financial assets held under resale agreements towards the year end of 2013 and 2014 and June 30, 2015 with a view to managing our liquidity.

LIABILITIES AND SOURCES OF FUNDS

The table below sets forth the components of our total liabilities as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Deposits from customers	82,786.3	73.9%	92,764.6	56.6%	119,403.0	50.8%	150,030.0	50.7%
Deposits from banks and other financial institutions	20,158.9	18.0%	52,391.2	31.9%	82,457.6	35.1%	107,040.6	36.2%
Placements from banks and other financial institutions	772.9	0.7%	3,029.9	1.8%	3,044.7	1.3%	4,700.2	1.6%
Financial assets sold under repurchase agreements	6,011.4	5.4%	9,034.4	5.5%	10,259.0	4.4%	11,561.9	3.9%
Debt securities issued	500.0	0.4%	500.0	0.3%	2,000.0	0.9%	2,000.0	0.7%
Funds of wealth management products[(1)]	307.7	0.3%	3,754.0	2.3%	13,064.7	5.6%	14,496.7	4.9%
Other liabilities[(2)]	1,560.0	1.3%	2,530.5	1.6%	4,586.6	1.9%	6,254.6	2.0%
Total liabilities	**112,097.2**	**100.0%**	**164,004.6**	**100.0%**	**234,815.6**	**100.0%**	**296,084.0**	**100.0%**

Note:

(1) Include wealth management funds and financial liabilities at fair value through profit or loss.

(2) Include accrued staff costs, taxes payable, interests payable and others.

As of June 30, 2015, our total liabilities amounted to RMB296,084.0 million, representing an increase of 26.1% from RMB234,815.6 million as of December 31, 2014. The increase was mainly due to increases in our deposits from customers and deposits from banks and other financial institutions. Our total liabilities increased by 46.3% from RMB112,097.2 million as of December 31, 2012 to RMB164,004.6 million as of December 31, 2013, and further increased by 43.2% to RMB234,815.6 million as of December 31, 2014, primarily due to increases in our deposits from customers and deposits from banks and other financial institutions.

Deposits from customers were the largest component of our total liabilities, accounting for 73.9%, 56.6%, 50.8% and 50.7% of our total liabilities as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Deposits from Customers

We provide demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product type and customer type as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate deposits								
Demand	25,512.0	30.8%	27,179.2	29.3%	31,170.7	26.1%	28,953.3	19.3%
Time	21,634.0	26.1%	25,066.8	27.0%	43,739.4	36.6%	66,905.4	44.6%
Subtotal	**47,146.0**	**56.9%**	**52,246.0**	**56.3%**	**74,910.1**	**62.7%**	**95,858.7**	**63.9%**
Retail deposits								
Demand	9,406.1	11.4%	11,200.0	12.1%	10,696.9	9.0%	9,551.4	6.4%
Time	26,234.2	31.7%	29,318.6	31.6%	33,796.0	28.3%	44,619.9	29.7%
Subtotal	**35,640.3**	**43.1%**	**40,518.6**	**43.7%**	**44,492.9**	**37.3%**	**54,171.3**	**36.1%**
Total deposits from customers	**82,786.3**	**100.0%**	**92,764.6**	**100.0%**	**119,403.0**	**100.0%**	**150,030.0**	**100.0%**

As of June 30, 2015, our total deposits from customers amounted to RMB150,030.0 million, representing an increase of 25.7% from RMB119,403.0 million as of December 31, 2014. Our total deposits from customers increased from RMB82,786.3 million as of December 31, 2012 to RMB92,764.6 million as of December 31, 2013, and further increased to RMB119,403.0 million as of December 31, 2014. The increases of our total deposits from customers from December 31, 2012 to June 30, 2015 were primarily due to (i) our marketing efforts to maintain the growth of our deposits from customers, and (ii) the addition of new branches and sub-branches over the years.

Our corporate deposits represented 56.9%, 56.3%, 62.7% and 63.9% of our total deposits from customers as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The overall increases in our corporate deposits as a percentage of our total deposits from customers from December 31, 2012 to June 30, 2015 was primarily due to the faster growth of the scale of our corporate deposits than our retail deposits.

Retail deposits represented 43.1%, 43.7%, 37.3% and 36.1% of total deposits from customers as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The overall decreases in our retail deposits as a percentage of our total deposits from customers from December 31, 2012 to June 30, 2015 was primarily due to (i) the growth of the scale of wealth management products issued by us which caused some of our retail deposit customers to re-allocate part of their deposits to purchase our wealth management products, (ii) the growing competition in the retail deposits market, and (iii) the faster growth of our corporate deposits than our retail deposits.

Time deposits represented 57.8%, 58.6%, 64.9% and 74.7% of our total deposits from customers as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Demand deposits represented 42.2%, 41.4%, 35.1% and 25.3% of our total deposits from customers as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The increases in our time deposits as a percentage of our total deposits from customers and the decreases in our demand deposits as a percentage of our total deposits to customers from December 31, 2012 to June 30, 2015 were primarily due to the increasing demand for time deposits (which offer higher returns) from our deposits customers.

Deposits from Customers by Currency

The table below sets forth deposits from customers by currency as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
RMB-denominated	79,404.7	95.9%	90,471.0	97.5%	115,772.7	97.0%	147,349.1	98.2%
USD-denominated	3,354.8	4.1%	2,277.9	2.5%	3,625.3	3.0%	2,673.7	1.8%
Other foreign currency-denominated	26.8	0.0%	15.7	0.0%	5.0	0.0%	7.2	0.0%
Total deposits from customers	**82,786.3**	**100.0%**	**92,764.6**	**100.0%**	**119,403.0**	**100.0%**	**150,030.0**	**100.0%**

Deposits from Customers by Geographical Region

We classify deposits from customers based on the geographic location of the branch that takes the deposit. There is generally a high correlation between the location of the deposit customers and the location of the branch taking the deposit. The table below sets forth deposits from customers by geographical region as of the dates indicated.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Jinzhou Region[1]	47,593.2	57.5%	51,598.9	55.6%	55,776.8	46.7%	66,328.0	44.2%
Other Northeastern Region[2]	20,778.1	25.1%	22,845.1	24.6%	30,275.7	25.4%	36,750.4	24.5%
Northern China Region[3]	14,415.0	17.4%	18,320.6	19.8%	33,350.5	27.9%	46,951.6	31.3%
Total deposits from customers	**82,786.3**	**100.0%**	**92,764.6**	**100.0%**	**119,403.0**	**100.0%**	**150,030.0**	**100.0%**

(1) Jinzhou Region: our headquarters, Jinzhou branch, Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.* (錦州太和益民村鎮銀行股份有限公司), Liaoning Yi County Xianghe Village and Township Bank Co., Ltd.* (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司) and Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行股份有限公司).

(2) Other Northeastern Region (excluding Jinzhou Region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch and Liaoyang branch.

(3) Northern China Region: Beijing branch and Tianjin branch.

Maturity Profile of Deposits from Customers

The table below sets forth customers' deposit products by remaining maturity as of June 30, 2015.

	As of June 30, 2015											
	Repayable on demand		Due less than 3 months		Due over 3 months up to 12 months		Due over 1 year up to 5 years		Due over 5 years		Total	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)											
Corporate deposits	28,953.3	75.2%	13,461.2	75.1%	31,468.7	62.0%	21,974.9	51.9%	0.6	0.1%	95,858.7	63.9%
Retail deposits	9,551.4	24.8%	4,473.0	24.9%	19,307.6	38.0%	20,381.7	48.1%	457.6	99.9%	54,171.3	36.1%
Total deposits from customers	**38,504.7**	**100.0%**	**17,934.2**	**100.0%**	**50,776.3**	**100.0%**	**42,356.6**	**100.0%**	**458.2**	**100.0%**	**150,030.0**	**100.0%**

Debt Securities Issued

In December 2007, we issued an aggregate principal amount of RMB500 million subordinated bonds. The bonds had a term of ten years and bore a fixed interest rate of 5.60% per annum for the first five years. We had an option to redeem the bonds in full at the end of the fifth year at face value. We redeemed such bonds in full in December 2012.

In September 2010, we issued subordinated bonds in an aggregate principal amount of RMB500 million. The bonds had a term of ten years and bore a fixed interest rate of 5.90% per annum for the first five years. The bonds were redeemable in full at our discretion at the end of the fifth year at the principal plus the initial interest rate of 5.90% per annum. We redeemed such bonds in full in September 2015.

In January 2014, we issued tier 2 capital bonds in the aggregate principal amount of RMB1,500 million. The bonds have a term of ten years and bear a fixed interest rate of 7.00% per annum for the first five years. The bonds are redeemable in full at our discretion at the end of the fifth year at the principal plus the initial interest rate of 7.00% per annum.

Other Components of Liabilities

Other components of our liabilities primarily include (i) deposits from banks and other financial institutions, (ii) placements from banks and other financial institutions, (iii) funds of wealth management products, and (iv) financial assets sold under repurchase agreements.

Deposits from banks and other financial institutions increased from RMB20,158.9 million as of December 31, 2012 to RMB52,391.2 million as of December 31, 2013 and RMB82,457.6 million as of December 31, 2014, and further increased to RMB107,040.6 million as of June 30, 2015. Such increases were mainly because we actively sought more funds from banks and other financial institutions to fund our business growth and meet our liquidity needs.

Placements from banks and other financial institutions increased from RMB772.9 million as of December 31, 2012 to RMB3,029.9 million as of December 31, 2013 and RMB3,044.7 million as of December 31, 2014 and further increased to RMB4,700.2 million as of June 30, 2015, primarily due to our increased use of placements from banks and other financial institutions to meet our liquidity needs.

Financial assets sold under repurchase agreements increased from RMB6,011.4 million as of December 31, 2012 to RMB9,034.4 million as of December 31, 2013 and RMB10,259.0 million as of December 31, 2014 and further increased to RMB11,561.9 million as of June 30, 2015, primarily due to our increased use of shorter-term and lower-cost financial assets sold under repurchase agreements to meet our liquidity needs and reduce our cost of funding.

Funds of wealth management products issued by our Bank increased from RMB307.7 million as of December 31, 2012 to RMB 3,754.0 million as of December 31, 2013 and to RMB13,064.7 million as of December 31, 2014 and further increased to RMB14,496.7 million as of June 30, 2015. Such increases were primarily because, in line with the market trend, we strengthened the development and marketing of our wealth management products which led to an increase of wealth management products issued both in variety and in scale.

The following discussion and analysis should be read in conjunction with our consolidated financial statements, together with the accompanying notes, included in Appendix I — Accountants' Report to this prospectus. The consolidated financial statements have been prepared in accordance with IFRS. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and based on PRC GAAP financial information.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors."

OVERVIEW

We are a leading city commercial bank in China. According to figures published by *The Banker* in July 2015, in terms of tier 1 capital, a total of 117 PRC banks are included in the list of the Top 1,000 World Banks, with us ranking 44th among the PRC banks and 18th among the PRC city commercial banks. As of June 30, 2015, we had total assets of RMB312.9 billion, total loans and advances of RMB94.1 billion and total deposits of RMB150.0 billion.

In recent years, we have achieved rapid growth in profits. Our net profit increased from RMB1,171.4 million in 2012 to RMB2,123.2 million in 2014, representing a CAGR of 34.6%. For the six months ended June 30, 2014 and 2015, our net profit was RMB910.0 million and RMB1,439.9 million, respectively. While achieving rapid growth in our business, we implemented prudent risk management and internal controls, and maintained solid asset quality. As of June 30, 2015, our non-performing loan ratio was 0.99% and our allowance coverage ratio was 379.76%.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

Economic Conditions in the PRC and Liaoning Province

We conduct substantially all of our operations in the PRC. Our financial condition and results of operations are affected by various factors relating to the operating environment in the PRC and, in particular, in Liaoning Province, including the economic conditions and development of both China and Liaoning Province and the macroeconomic policies implemented by the PRC government.

The PRC has experienced significant economic growth in recent years, achieving a CAGR for nominal GDP of approximately 13.0% from 2009 to 2014 based on data from the National Bureau of Statistics. According to the PBOC, from December 31, 2009 to December 31, 2014, total RMB-denominated loans and RMB-denominated deposits in the PRC banking industry increased at a CAGR of 15.4% and 13.8%, respectively. In recent years, China's economy has gradually shifted from rapid to stable growth with moderately high growth rates, thereby entering a "new normal" phase of development. The slowdown of growth rate in the overall PRC economy and certain industries may adversely affect the business, results of operation and financial condition of commercial banks in the PRC.

The economies of Liaoning Province and Jinzhou City have achieved rapid growth in recent years. In 2014, Liaoning Province's nominal GDP reached RMB2,863 billion, ranking the seventh among provinces in mainland China and representing a CAGR of 13.5% between 2009 and 2014. In 2014, Jinzhou's nominal GDP reached RMB136.0 billion, representing a CAGR of 13.3% between 2009 and 2014. Liaoning's banking sector expanded at a CAGR of 15.0% in terms of total RMB-denominated loans and 12.6% in terms of total RMB-denominated deposits between 2009 and 2014. During the Track Record Period, our operating income was primarily derived from Liaoning Province, including Jinzhou. The future economic conditions of Liaoning Province and Jinzhou City may significantly affect our business, financial condition and results of operations.

The PRC government has in the past implemented various monetary and other macroeconomic policies, including (i) adjusting the benchmark interest rates and the statutory deposit reserve ratio applicable to PRC commercial banks, (ii) imposing lending limits to control the growth of bank loans, and (iii) publishing industry development guidelines to promote or control the growth of specific industries in the PRC. Many of these policies have had a significant impact on lending activities and the demand for and access to bank financing, which has materially affected the business and growth prospects of PRC commercial banks, including us. See "Supervision and Regulation".

Interest Rates

Our results of operations depend largely on our net interest income, which has historically been the largest component of our total operating income, representing 93.3%, 97.4%, 97.1%, 97.1% and 94.9% of our total operating income for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, respectively. Net interest income is affected by interest rates and the average balance of our interest-earning assets and interest-bearing liabilities. Interest rates applicable to us are impacted by many factors that are beyond our control, such as the benchmark interest rates set by the PBOC, regulations in the banking and financial sectors in the PRC, domestic and international economic and political conditions, and competition among banks.

As part of the overall reform of the PRC's banking system during the past decade, the PBOC started to gradually adopt a market-based interest rate policy to regulate the market. The PBOC has, in the past few years, made adjustments to the benchmark interest rates for deposits and loans multiple times. In October 2015, the PBOC further adjusted the benchmark interest rates for RMB-denominated deposits and loans, as a result of which the benchmark interest rates of RMB-denominated deposits and loans with a term of one year were lowered to 1.50% and 4.35%, respectively.

In recent years, the PRC government has taken measures to gradually liberalize interest rates. For example, the PBOC lifted restrictions on inter-bank market interest rates, bond market interest rates and interest rates on foreign currency deposits, and removed the interest rate cap and the interest rate floor on RMB-denominated loans and RMB-denominated deposits. See "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits". The PBOC may further adjust the interest rate mechanism in the future. As the PRC government continues to carry out a market-based interest rate policy, we expect that competition among banks will play an increasingly important role in the setting of interest rates. Any further adjustment of benchmark rates by the PBOC in its effort to regulate the macro economy may materially affect our business, financial condition and results of operations.

Regulatory Environment

The PRC banking industry is highly regulated. Our business, financial condition and results of operations have been, and will continue to be, materially affected by changes in policies, laws and regulations relating to the PRC banking industry, including the scope of business activities PRC commercial banks are permitted to engage in, interests and fees PRC commercial banks are allowed to charge and limits imposed by regulators on lending to borrowers in specific industries or in respect of specific loan products.

PRC commercial banks are mainly regulated by the CBRC and the PBOC. The CBRC regulates the disclosure requirements, corporate governance, risk management, capital adequacy and internal controls of PRC commercial banks. The PBOC formulates interest rate policies, sets the statutory deposit reserve ratio, extends refinancing to commercial banks, accepts rediscounted bills from commercial banks and conducts open market operations. PRC commercial banks are also subject to supervision and regulation by other regulatory bodies in the PRC, such as the MOF, the SAFE, the CSRC and the CIRC. See "Supervision and Regulation — Principal Regulators."

In recent years, the CBRC and the PBOC have gradually liberalized restrictions on fee- and commission-based banking services that a commercial bank in the PRC may provide, such as investment banking services, the sale of financial products to individual customers and other wealth management services. Any new requirements imposed by the CBRC and the PBOC as well as other governmental authorities may affect our business, financial condition and results of operations.

Development of China's Capital Markets and Internet-based Financial Service Platforms

Recently, China has launched a number of initiatives to develop a multi-layered capital market and has encouraged enterprises to seek direct financing from the capital markets, which may affect the core businesses of PRC banks. The deepening of China's debt capital markets may impact our lending business, as certain corporate borrowers may issue debt securities at lower costs to meet their financing needs and thus have lower demands for bank loans. On the other hand, the development of China's capital markets may allow us to expand our fee- and commission-based business, such as our investment banking business, and broaden the scope of securities we may invest in.

Furthermore, China's traditional banking institutions are also facing new challenges and opportunities from innovations in financial products and technology, such as online wealth management products, third-party online payment platforms and Internet-based financing service platforms. These innovations in products and technologies may affect the competitive landscape of the PRC banking industry and may have impacts on the business, results of operation and financial condition of PRC banks.

Competitive Landscape

As a regional bank, we compete primarily with the Large Commercial Banks, Nationwide Joint-stock Commercial Banks, other city commercial banks and other banking financial institutions which have a presence in Liaoning Province and the other regions where we have business operations. In recent years, a large number of commercial banks in the PRC have completed restructurings or public offerings, which have enabled them to strengthen their capital base and improve their access to capital markets, and have afforded them with greater adaptability in a changing market environment. The intensifying competition faced by us may affect the pricing of our loans and deposits and the pricing of and revenues from our fee- and commission-based banking services, which will in turn affect our results of operations. See also "Risk Factors — Risks Relating to our Business — We face increasingly intense competition in China's banking industry and other investment and financing channels" and "Industry Overview".

SELECTED FINANCIAL DATA

The table below sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(in millions of RMB)				
Interest income	5,733.7	8,522.9	13,582.5	5,862.0	9,683.0
Interest expense	(2,479.7)	(4,701.5)	(7,954.1)	(3,642.3)	(5,241.0)
NET INTEREST INCOME	**3,254.0**	**3,821.4**	**5,628.4**	**2,219.7**	**4,442.0**
Fee and commission income	123.0	100.5	183.1	78.2	160.9
Fee and commission expense	(26.2)	(25.2)	(66.8)	(22.2)	(28.6)
NET FEE AND COMMISSION INCOME	**96.8**	**75.3**	**116.3**	**56.0**	**132.3**
Net trading gains/(losses)	24.9	(5.7)	0.5	(7.2)	60.8
Dividend income	5.8	6.3	6.4	—	0.4
Net gains/(losses) arising from investment securities	60.8	(3.6)	8.4	1.7	2.3
Foreign exchange gain	13.1	4.3	7.9	13.2	32.2
Other operating income	30.7	24.1	26.7	3.5	9.6
OPERATING INCOME	**3,486.1**	**3,922.1**	**5,794.6**	**2,286.9**	**4,679.6**
Operating expenses	(1,651.4)	(1,888.1)	(2,213.5)	(983.3)	(1,246.5)
OPERATING PROFIT BEFORE IMPAIRMENT	**1,834.7**	**2,034.0**	**3,581.1**	**1,303.6**	**3,433.1**
Impairment losses on assets	(298.7)	(274.7)	(793.4)	(111.5)	(1,534.7)
PROFIT BEFORE TAX	**1,536.0**	**1,759.3**	**2,787.7**	**1,192.1**	**1,898.4**
Income tax	(364.6)	(403.8)	(664.5)	(282.1)	(458.5)
NET PROFIT	**1,171.4**	**1,355.5**	**2,123.2**	**910.0**	**1,439.9**

The table below sets forth our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(in millions of RMB)			
Assets				
Cash and deposits with the central bank	22,713.2	23,258.6	30,170.5	30,706.0
Deposits with banks and other financial institutions	8,759.2	9,698.2	12,520.6	16,078.9
Placements with banks and other financial institutions	—	1,980.6	—	912.3
Financial assets at fair value through profit or loss	324.2	58.5	9,990.3	14,424.8
Positive fair value of derivatives	—	—	—	15.8
Financial assets held under resale agreements	1,147.2	—	—	—
Interests receivable	536.2	673.9	1,560.2	1,767.1
Loans and advances to customers	61,781.1	76,728.8	86,548.8	90,569.2
Available-for-sale financial assets	9,818.4	14,942.5	17,256.2	16,876.6
Held-to-maturity investments	7,925.4	7,587.6	7,339.6	10,290.6
Debt securities classified as receivables	5,960.0	35,421.2	79,256.5	124,785.2
Property and equipment	3,651.8	4,141.4	5,097.5	5,204.8
Deferred tax assets	229.6	432.1	400.0	667.3
Other assets	448.0	590.5	552.5	640.2
Total assets	**123,294.3**	**175,513.9**	**250,692.7**	**312,938.8**

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(in millions of RMB)			
Liabilities and equity				
Liabilities				
Borrowing from the central bank	20.0	27.0	190.0	50.0
Deposits from banks and other financial institutions	20,158.9	52,391.2	82,457.6	107,040.6
Placements from banks and other financial institutions	772.9	3,029.9	3,044.7	4,700.2
Financial liabilities at fair value through profit or loss	—	—	9,932.2	14,296.7
Negative fair value of derivatives	—	—	—	21.7
Financial assets sold under repurchase agreements	6,011.4	9,034.4	10,259.0	11,561.9
Deposits from customers	82,786.3	92,764.6	119,403.0	150,030.0
Accrued staff costs	254.9	263.0	277.9	247.0
Taxes payable	112.6	106.4	412.8	287.8
Interests payable	1,068.6	1,881.0	3,346.9	4,488.3
Debts securities issued	500.0	500.0	2,000.0	2,000.0
Other liabilities	411.6	4,007.1	3,491.5	1,359.8
Total liabilities	**112,097.2**	**164,004.6**	**234,815.6**	**296,084.0**
Equity				
Share capital	3,902.2	3,902.2	4,402.2	4,402.2
Capital reserve	3,589.0	2,909.1	4,962.6	5,032.8
Surplus reserve	459.0	591.7	802.4	802.4
General reserve	1,348.4	2,198.8	3,159.1	3,159.1
Retained earnings	1,819.7	1,797.0	2,332.0	3,237.9
Total equity attributable to equity shareholders of the Bank	11,118.3	11,398.8	15,658.3	16,634.4
Non-controlling interests	78.8	110.5	218.8	220.4
Total equity	11,197.1	11,509.3	15,877.1	16,854.8
Total liabilities and equity	**123,294.3**	**175,513.9**	**250,692.7**	**312,938.8**

SUMMARY OF KEY FINANCIAL AND OPERATING INDICATORS

The following table sets forth a summary of key financial and operating indicators for the periods indicated.

		For the year ended December 31,			For the six months ended June 30,	
	Regulatory requirement[20]	2012	2013	2014	2014	2015
					(unaudited)	
Profitability indicators						
Return on average total assets[1][24]	≥0.6%	1.02%	0.91%	1.00%	0.92%	1.02%
Return on average equity[2][24]	≥11%	11.30%	12.00%	15.64%	15.26%	17.77%
Net interest spread[3][24]	N/A	3.06%	2.32%	2.43%	2.04%	2.94%
Net interest margin[4][24]	N/A	3.30%	2.52%	2.63%	2.24%	3.16%
Net fee and commission income to operating income ratio[5]	N/A	2.78%	1.92%	2.01%	2.45%	2.83%
Cost-to-income ratio[6]	≤45%	40.55%	40.47%	31.26%	35.03%	20.46%

		As of December 31,			As of June 30,
	Regulatory requirement[20]	2012	2013	2014	2015
Capital adequacy indicators					
Based on Capital Adequacy Measures					
Core capital adequacy ratio[7]	≥4%	13.03%	N/A	N/A	N/A
Capital adequacy ratio[8]	≥8%	14.34%	N/A	N/A	N/A
Based on New Capital Adequacy Measures					
Core tier 1 capital adequacy ratio[9]	≥5.9%[21]	N/A	9.76%	8.64%	7.03%
Tier 1 capital adequacy ratio[10]	≥6.9%[21]	N/A	9.76%	8.64%	7.03%
Capital adequacy ratio[11]	≥8.9%[21]	N/A	10.89%	10.45%	8.92%
Assets quality indicators					
Non-performing loan ratio[12]	≤5%	0.94%	0.87%	0.99%	0.99%
Allowance coverage ratio[13]	≥150%	239.45%	226.40%	256.15%	379.76%
Allowance to loans ratio[14]	≥2.5%[22]	2.24%	1.97%	2.53%	3.77%
Other Indicators[15]					
Loan-to-deposit ratio	≤75%[23]	65.57%	66.62%	55.70%	50.02%
Liquidity ratio[16]	≥25%	54.97%	47.63%	55.97%	60.88%
Core liabilities ratio[17][19]	≥60%	68.79%	60.46%	60.57%	60.48%
Liquidity gap ratio[18][19]	≥-10%	4.21%	(9.25%)	(9.57%)	(4.43%)

Notes:

(1) Represents the net profit for a period as a percentage of the average balance of total assets at the beginning and the end of that period. Our return on average total assets decreased from 1.02% in 2012 to 0.91% in 2013, primarily because the increase in our net profit was slower than the increase in our total assets as net interest margin narrowed. Our return on average total assets increased to 1.00% for the year ended December 31, 2014, primarily due to the rapid growth of our net profit as we continued to improve our profitability. Our return on average total assets increased to 1.02% for the six months ended June 30, 2015 from 0.92% for the six months ended June 30, 2014, primarily due to the rapid growth of our net profit as our net interest margin continued to increase.

(2) Represents the net profit attributable to our equity shareholders for a period as a percentage of the average balance of total equity attributable to equity shareholders at the beginning and at the end of that period. Our return on average equity increased from 11.30% in 2012 to 12.00% in 2013, primarily due to our enhanced profitability in 2013 and our declaration of dividends to our shareholders in 2013. Our return on average equity increased to 15.64% for the year ended December 31, 2014, primarily due to the rapid growth of our net profit as we continued to improve our profitability. Our return on average equity increased to 17.77% for the six months ended June 30, 2015 from 15.26% for the six months ended June 30, 2014, primarily due to the rapid growth of our net profit as our net interest margin continued to increase.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.

(5) Net fee and commission income to operating income ratio = net fee and commission income / operating income x 100%.

(6) Cost-to-income ratio = operating expenses (excluding business tax and surcharges) / operating income x 100%, prepared under PRC GAAP.

(7) Core capital adequacy ratio = (core capital — core capital deductions) / (risk-weighted assets + 12.5 x capital charge for market risk) x 100%.

(8) Capital adequacy ratio = (capital — capital deductions) / (risk-weighted assets + 12.5 x capital charge for market risk) x 100%.

(9) Core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions) / risk-weighted assets x 100%.

(10) Tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions) / risk-weighted assets x 100%.

(11) Capital adequacy ratio = (total capital — corresponding capital deductions) / risk-weighted assets x 100%.

(12) Non-performing loan ratio = total non-performing loans / total loans and advances to customers x 100%.

(13) Allowance coverage ratio = allowance for impairment losses on loans / total non-performing loans x 100%.

(14) Allowance to loans ratio = allowance for impairment losses on loans / total loans and advances to customers x 100%.

(15) Such ratios represent the ratios our Bank submitted to the CBRC and were calculated in accordance with financial data under PRC GAAP and CBRC requirements.

(16) Liquidity ratio = current assets / current liabilities x 100%. Current assets include cash, gold, surplus deposit reserve, net placement and deposits with banks and other financial institutions due within one month, interest receivable and other receivables due within one month, qualified loans due within one month, bond investments due within one month, debt securities that can be liquidated on the domestic or international secondary market at any time and other liquid assets due within one month (excluding the non-performing portion of such assets). Current liabilities include demand deposits (excluding fiscal deposits), time deposits due within one month (excluding fiscal deposits), net placements and deposits from banks and other financial institutions due within one month, issued bonds due within one month, interest payable and all kinds of payables due within one month, borrowings from the PBOC due within one month and other liabilities due within one month.

(17) Core liabilities ratio = amount of core liabilities / amount of total liabilities x 100%. Our core liabilities ratio as of December 31, 2013 and 2014 and June 30, 2015 was lower than that as of the end of 2012 and was close to the regulatory minimum of 60%, mainly because our interbank liabilities increased as of December 31, 2013 and 2014 and June 30, 2015 and represented a higher percentage of our total liabilities compared with that as of December 31, 2012.

(18) Liquidity gap ratio = liquidity gap / amount of on- and off-balance sheet assets due within 90 days x 100%. Liquidity gap refers to the amount of on- and off-balance sheet assets with maturities of 90 days or less minus the amount of on- and off-balance sheet liabilities with remaining maturities of 90 days or less. Our liquidity gap ratio as of the end of 2013 and 2014 was lower than that as of the end of 2012 and was close to the regulatory minimum of -10%, mainly because we increased the mismatch of our assets and liabilities in 2013 and 2014 in search of a balance between risk and return. Accordingly, (i) we enhanced our fund position management and reduced our surplus deposit reserve balance; and (ii) our investments in beneficial interest transfer plans increased, which are typically of fixed terms of one year or longer, while our interbank short-term borrowings increased.

(19) Although our core liabilities ratio and liquidity gap ratio as of December 31, 2013 and 2014 and our core liabilities ratio as of June 30, 2015 were close to regulatory minimum requirements, we are of the view that this will not have any material adverse effect on our business, financial condition and results of operations because (i) while these ratios mainly focus on the stability of core liabilities and the static and short-term liquidity gap, respectively, our other regulatory liquidity ratios, such as our overall liquidity ratio, are significantly higher than regulatory minimum and we are of the view that we have ample liquidity judging from the various regulatory liquidity ratios taken as a whole; (ii) these ratios are generally within our own control, and we intend to continue to rely on our solid customer base and various interbank channels to manage our liquidity; and (iii) customer deposits and interbank deposits represented 50.8% and 35.1%, respectively, of our total liabilities as of the end of 2014, and 50.7% and 36.2%, respectively, of our total liabilities as of June 30, 2015, based on which we are of the view that our liabilities structure is relatively stable. We plan to continue to manage our liquidity through our risk management system. See "Risk Management — Liquidity Risk Management" of this prospectus.

(20) For a detailed discussion of the requirement of the ratios, see "Supervision and Regulation — Other Operational and Risk Management Ratios" of this prospectus.

(21) Commercial banks (other than systematically important banks) in the PRC are required to maintain (i) their capital adequacy ratio at or higher than 8.5%, 8.9% and 9.3% respectively, as of December 31, 2013, 2014 and 2015; (ii) their tier 1 capital adequacy ratio at or higher than 6.5%, 6.9% and 7.3%, respectively, as of December 31, 2013, 2014 and 2015; and (iii) their core tier 1 capital adequacy ratio at or higher than 5.5%, 5.9% and 6.3%, respectively, as of December 31, 2013, 2014 and 2015.

(22) Not applicable to our Bank until December 31, 2016.

(23) Pursuant to the amended PRC Commercial Banking Law, with effect from October 1, 2015, the loan-to-deposit ratio ceased to apply to PRC commercial banks as a regulatory ratio.

(24) Calculated on an annualized basis.

RESULTS OF OPERATIONS

Six Months ended June 30, 2015 and June 30, 2014

Net Interest Income

Net interest income was the largest component of our total operating income, representing 97.1% and 94.9% of our total operating income for the six months ended June 30, 2014 and 2015, respectively.

The following table sets forth, for the periods indicated, our interest income, interest expense and net interest income.

	For the six months ended June 30,	
	2014	**2015**
	(unaudited)	
	(in millions of RMB)	
Interest income	5,862.0	9,683.0
Interest expense	3,642.3	5,241.0
Net interest income	**2,219.7**	**4,442.0**

Net interest income represents interest income less interest expense. Our net interest income is mainly affected by the difference between the average yield on our interest-earning assets and the average cost on our interest-bearing liabilities, as well as the average balances of our interest-earning assets and interest-bearing liabilities.

Our net interest income increased by 100.1% to RMB4,442.0 million for the six months ended June 30, 2015 from RMB2,219.7 million for the six months ended June 30, 2014, primarily due to an increase in interest income resulting from (i) an increase of RMB82,823.4 million, or 41.8%, in the average balance of interest-earning assets, and (ii) an increase of 98 basis points in the average yield on interest-earning assets. Such increase was partially offset by an increase in interest expense primarily due to an increase of RMB77,452.3 million, or 41.2%, in the average balance of interest-bearing liabilities.

The following table sets forth, for the periods indicated, the average balances of our assets and liabilities, the related interest income or expense and the average yield or cost. The average balances of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

	For the six months ended June 30,					
	2014			2015		
		(unaudited)				
	Average balance	**Interest income**	**Average yield[5]**	**Average balance**	**Interest income**	**Average yield[5]**
	(in millions of RMB, except percentages)					
Loans and advances to customers	81,327.2	2,883.2	7.10%	94,645.2	3,484.7	7.36%
Investment securities and other financial assets[1]	71,553.8	2,159.4	6.04%	145,178.3	5,656.8	7.80%
Cash and deposits with the central bank	24,448.9	183.8	1.50%	27,755.7	212.6	1.54%
Deposits with banks and other financial institutions	17,355.1	540.4	6.22%	12,268.6	316.7	5.16%
Placements with banks and other financial institutions	2,284.4	74.6	6.54%	323.1	1.1	0.68%
Financial assets held under resale agreements	1,210.7	20.6	3.40%	832.6	11.1	2.66%
Total interest-earning assets	**198,180.1**	**5,862.0**	**5.92%**	**281,003.5**	**9,683.0**	**6.90%**

	For the six months ended June 30,					
	2014			2015		
		(unaudited)				
	Average balance	**Interest expense**	**Average cost[5]**	**Average balance**	**Interest expense**	**Average cost[5]**
	(in millions of RMB, except percentages)					
Deposit from customers	96,104.6	1,051.8	2.18%	126,938.9	1,655.0	2.60%
Deposits from banks and other financial institutions	71,338.5	2,124.9	5.96%	96,193.7	2,666.4	5.54%
Placements from banks and other financial institutions	3,092.7	47.8	3.10%	4,373.3	15.1	0.70%
Financial assets sold under repurchase agreements	7,920.3	151.0	3.82%	11,378.4	173.4	3.04%
Debt securities issued	1,776.2	58.9	6.64%	2,000.0	67.0	6.70%
Wealth management products funds	7,516.7	207.0	5.50%	24,226.4	661.8	5.46%
Other liabilities[2]	56.2	0.9	3.20%	146.8	2.3	3.14%
Total interest-bearing liabilities	**187,805.2**	**3,642.3**	**3.88%**	**265,257.5**	**5,241.0**	**3.96%**
Net interest income		**2,219.7**			**4,442.0**	
Net interest spread[3]		**2.04%**			**2.94%**	
Net interest margin[4]		**2.24%**			**3.16%**	

Notes:

(1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables.

(2) Include borrowing from the central bank.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average interest-earning assets, calculated based on the daily average of the interest-earning assets.

(5) Calculated on an annualized basis.

The following table sets forth, for the periods indicated, the changes in our interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of our interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by changes in the average rates of our interest-earning assets and interest-bearing liabilities. Effect of changes caused by both volume and interest rate has been allocated to changes in interest rate.

	For the six months ended June 30, 2014 vs 2015		
	Increase/decrease due to		
	Volume[1]	Interest rate[2]	Net increase/ (decrease)[3]
	(in millions of RMB)		
Interest-earning Assets			
Loans and advances to customers	490.3	111.2	601.5
Investment securities and other financial assets	2,868.7	628.7	3,497.4
Cash and deposits with the central bank	25.3	3.5	28.8
Deposits with banks and other financial institutions	(131.3)	(92.4)	(223.7)
Placements with banks and other financial institutions	(6.7)	(66.8)	(73.5)
Financial assets held under resale agreements	(5.0)	(4.5)	(9.5)
Total changes in interest income	**3,241.3**	**579.7**	**3,821.0**
Interest-bearing Liabilities			
Deposits from customers	402.0	201.2	603.2
Deposits from banks and other financial institutions	689.0	(147.5)	541.5
Placements from banks and other financial institutions	4.4	(37.1)	(32.7)
Financial assets sold under repurchase agreements	52.7	(30.3)	22.4
Debt securities issued	7.5	0.6	8.1
Wealth management products funds	456.5	(1.7)	454.8
Other liabilities	1.4	0.0	1.4
Total changes in interest expense	**1,613.5**	**(14.8)**	**1,598.7**
Total changes in net interest income	**1,627.8**	**594.5**	**2,222.3**

Notes:

(1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for such previous period.

(2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for such period.

(3) Represents interest income/expense for the period minus interest income/expense for the previous period.

Interest Income

Our interest income increased by 65.2% to RMB9,683.0 million for the six months ended June 30, 2015 from RMB5,862.0 million for the six months ended June 30, 2014, due to both an increase in the average yield of interest-earning assets from 5.92% for the six months ended June 30, 2014 to 6.90% for the six months ended June 30, 2015 and an increase in the average balance of interest-earning assets from RMB198,180.1 million for the six months ended June 30, 2014 to RMB281,003.5 million for the six months ended June 30, 2015. The increase in the average balance of interest-earning assets was primarily due to increases in the average balance of investment securities and other financial assets and the average balance of loans and advances to customers, which is generally in line with our business growth. The increase in the average yield of our interest-earning assets was primarily due to the increases in the average yield on investment securities and other financial assets and the average yield on loans and advances to customers.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers represented 49.2% and 36.0% of our total interest income for the six months ended June 30, 2014 and 2015, respectively. Interest income from loans and advances to customers was the largest component of our interest income for the six months ended June 30, 2014 and the second largest component of our interest income for the six months ended June 30, 2015. The percentage of our interest income from loans and advances to customers in our total interest income decreased in the six months ended June 30, 2015, primarily due to the continuing increase of interest income derived from our investment securities and other financial assets.

The following table sets forth, for the periods indicated, the average balance, interest income and average yield for each component of our loans and advances to customers.

	For the six months ended June 30,					
	2014			2015		
		(unaudited)				
	Average balance(1)	Interest income	Average yield(2)	Average balance(1)	Interest income	Average yield(2)
	(in millions of RMB, except percentage)					
Corporate loans	75,839.6	2,658.4	7.02%	85,990.1	3,126.1	7.28%
Retail loans	5,196.0	210.8	8.12%	8,228.7	327.0	7.94%
Discounted bills	291.6	14.0	9.60%	426.4	31.6	14.82%
Total loans and advances to customers	**81,327.2**	**2,883.2**	**7.10%**	**94,645.2**	**3,484.7**	**7.36%**

Notes:

(1) Calculated as the average of our daily balances.

(2) Calculated on an annualized basis.

Interest income from loans and advances to customers increased by 20.9% to RMB3,484.7 million for the six months ended June 30, 2015 from RMB2,883.2 million over the same period in 2014, due to both an increase in the average balance of our loans and advances to customers and an increase in the average yield of our loans and advances to customers. The average balance of our loans and advances to customers increased to RMB94,645.2 million in the six months ended June 30, 2015 from RMB81,327.2 million over the same period in 2014. The average yield on our loans and advances to customers increased to 7.36% for the six months ended June 30, 2015 from 7.10% for the six months ended June 30, 2014.

The largest component of our interest income from loans and advances to customers has been interest income from corporate loans, representing 92.2% and 89.7% of our total interest income from loans and advances to customers for the six months ended June 30, 2014 and 2015, respectively.

Interest income from corporate loans increased by 17.6% to RMB3,126.1 million for the six months ended June 30, 2015 compared to RMB2,658.4 million over the same period in 2014, due to increases in the average balance and the average yield of our corporate loans. The average balance of our corporate loans increased by 13.4% to RMB85,990.1 million in the six months ended June 30, 2015 from RMB75,839.6 million over the same period in 2014, primarily due to (i) increased market demand for corporate loans, (ii) the addition of new branches and sub-branches, and (iii) a continuing increase in our loans to SMEs in response to the national policy on promoting the development of SMEs. The average yield on our corporate loans increased to 7.28% for the six months ended June 30, 2015 from 7.02% for the six months ended June 30, 2014, primarily because (i) we further implemented customised pricing strategies in response to the need of different groups of customers, and (ii) the proportion of medium- to long-term corporate loans increased in our corporate loan portfolio.

Interest income from retail loans increased by 55.1% to RMB327.0 million for the six months ended June 30, 2015 compared to RMB210.8 million over the same period in 2014, primarily due to an increase in the average balance of our retail loans, which was partially offset by a decrease in the average yield of our retail loans. The average balance of our retail loans increased by 58.4% to RMB8,228.7 million in the six months ended June 30, 2015 from RMB5,196.0 million over the same period in 2014, primarily because we continued to carry out our strategy of focusing on the development of our Three Smalls micro credit business in line with the various government policies to encourage development of credit services for individuals. The average yield on our retail loans decreased to 7.94% for the six months ended June 30, 2015 from 8.12% for the six months ended June 30, 2014, primarily due to the reductions of benchmark interest rates by the PBOC in the second half of 2014 and the first half of 2015.

Interest income from discounted bills increased by 125.7% to RMB31.6 million for the six months ended June 30, 2015 compared to RMB14.0 million over the same period in 2014, due to increases in the average yield and the average balance of our discounted bills. The average yield on our discounted bills increased to 14.82% for the six months ended June 30, 2015 compared to 9.60% over the same period in 2014, primarily because we selectively conducted more high-yield and ultra-short-term bill discounting transactions whilst such transactions had a negligible impact on the average balance. The average balance of our discounted bills increased by 46.2% to RMB426.4 million for the six months ended June 30, 2015 compared to RMB291.6 million over the same period in 2014, primarily due to increasing customer demand for discounted bills.

Interest Income from Investment Securities and Other Financial Assets

Interest income from investment securities and other financial assets represented 36.8% and 58.4% of our total interest income for the six months ended June 30, 2014 and 2015, respectively. Interest income from investment securities and other financial assets was the largest component of our interest income for the six months ended June 30, 2015. Our investment securities and other financial assets comprise primarily (i) held-to-maturity investments, (ii) available-for-sale financial assets, (iii) financial assets at fair value through profit or loss, and (iv) debt securities classified as receivables, such as wealth management products issued by other financial institutions and beneficial interest transfer plans.

Interest income from investment securities and other financial assets increased by 162.0% to RMB5,656.8 million for the six months ended June 30, 2015 compared to RMB2,159.4 million over the same period in 2014, due to increases in the average balance and the average yield of our investment securities and other financial assets. The average balance of our investment securities and other financial assets increased by 102.9% to RMB145,178.3 million for the six months ended June 30, 2015 compared to RMB71,553.8 million over the same period in 2014, primarily due to (i) a continuing increase in the amount of funds available for investment in the first half of 2015 in line with the growth of our business, and (ii) our ongoing implementation of our strategy to diversify our products and services and expand our treasury business. The average yield on our investment securities and other financial assets increased to 7.80% for the six months ended June 30, 2015 from 6.04% over the same period in 2014, primarily due to a continuing increase of investment products with higher yields as a percentage of our investment portfolio, such as debt securities classified as receivables.

Interest Income from Cash and Deposits with the Central Bank

Our cash and deposits with the central bank consist primarily of statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum level of cash deposits, calculated as a percentage of the balance of our general deposits from customers, that we are required to maintain at PBOC. Surplus deposit reserves are deposits with PBOC in excess of statutory deposit reserves, which we maintain for settlement and clearing purposes.

Interest income from cash and deposits with the central bank increased by 15.7% to RMB212.6 million for the six months ended June 30, 2015 compared to RMB183.8 million over the same period in 2014, primarily due to an increase in the average balance of cash and deposits with the central bank. Such average balance increased by 13.5% to RMB27,755.7 million for the six months ended June 30, 2015 compared to RMB24,448.9 million over the same period in 2014, primarily due to an increase in our deposits from customers which led to an increase of the balance of our statutory deposit reserves.

Interest Income from Deposits with Banks and other Financial Institutions

Interest income from deposits with banks and other institutions decreased by 41.4% to RMB316.7 million for the six months ended June 30, 2015 from RMB540.4 million for the six months ended June 30, 2014, due to decreases in the average balance and the average yield of our deposits with banks and other financial institutions. The average balance of our deposits with banks and other financial institutions decreased by 29.3% to RMB12,268.6 million for the six months ended June 30, 2015 compared to RMB17,355.1 million for the six months ended June 30, 2014, primarily due to our decision to reduce our deposits with banks and other financial assets in light of the relatively low market interest rates in the first half of 2015. The average yield of our deposits with banks and other financial institutions decreased from 6.22% for the six months ended June 30, 2014 to 5.16% for the six months ended June 30, 2015, primarily due to a general decrease of market interest rates in the first half of 2015 as a result of the improved market liquidity.

Interest Income from Placements with Banks and other Financial Institutions

Interest income from placements with banks and other institutions decreased by 98.5% to RMB1.1 million for the six months ended June 30, 2015 from RMB74.6 million for the six months ended June 30, 2014, due to decreases in the average balance and the average yield of our placements with banks and other institutions. The average balance of our placements with banks and other financial institutions decreased by 85.9% to RMB323.1 million for the six months ended June 30, 2015 compared to RMB2,284.4 million for the six months ended June 30, 2014, primarily due to our decision to reduce our placements with banks and other financial institutions denominated in Renminbi in light of the relatively low market interest rates in the first half of 2015. The average yield decreased to 0.68% for the six months ended June 30, 2015 from 6.54% for the six months ended June 30, 2014, primarily because our placements with banks and other financial institutions in the first half of 2015 were primarily denominated in foreign currencies and placements with banks and other financial institutions denominated in foreign currencies usually have lower yields.

Interest Income from Financial Assets Held under Resale Agreements

Interest income from financial assets held under resale agreements decreased by 46.1% to RMB11.1 million for the six months ended June 30, 2015 from RMB20.6 million for the six months ended June 30, 2014, due to decreases in the average balance and the average yield of our financial assets held under resale agreements. The average balance of our financial assets held under resale agreements decreased by 31.2% to RMB832.6 million for the six months ended June 30, 2015 compared to RMB1,210.7 million for the six months ended June 30, 2014, primarily due to our decision to balance yield and liquidity. The average yield of our financial assets held under resale agreements decreased from 3.40% for the six months ended June 30, 2014 to 2.66% for the six months ended June 30, 2015, primarily due to a general decrease of market interest rates in the first half of 2015 as a result of improved market liquidity.

Interest Expense

Interest expense increased by 43.9% to RMB5,241.0 million for the six months ended June 30, 2015 compared to RMB3,642.3 million over the same period in 2014, primarily due to an increase in the average balance of interest-bearing liabilities. The average balance of our interest-bearing liabilities was RMB187,805.2 million and RMB265,257.5 million for the six months ended June 30, 2014 and 2015, respectively. The increase in the average balance of our interest-bearing liabilities was primarily due to increases in the average balances of deposits from customers, deposits from banks and other financial institutions and wealth management products funds.

Interest Expense on Deposits from Customers

Deposits from customers have been our primary source of funding. Interest expense on deposits from customers represented 28.9% and 31.6% of our total interest expense for the six months ended June 30, 2014 and 2015, respectively.

Interest expense on deposits from customers increased by 57.3% to RMB1,655.0 million for the six months ended June 30, 2015 compared to RMB1,051.8 million over the same period in 2014, due to (i) an increase in the average cost of our deposits from customers to 2.60% in the six months ended June 30, 2015 compared to 2.18% over the same period in 2014, and (ii) an increase in the average balance of our deposits from customers by 32.1% to RMB126,938.9 million in the six months ended June 30, 2015 compared to RMB96,104.6 million over the same period in 2014.

The following table sets forth, for the periods indicated, the average balance, interest expense and average cost of our corporate and retail deposits.

	For the six months ended June 30,					
	2014			2015		
	(unaudited)					
	Average balance(1)	Interest expense	Average cost(2)	Average balance(1)	Interest expense	Average cost(2)
	(in millions of RMB, except percentage)					
Corporate deposits						
Demand	22,621.1	68.1	0.60%	22,076.7	63.9	0.58%
Time	33,961.2	453.1	2.66%	56,922.7	868.7	3.06%
Subtotal	**56,582.3**	**521.2**	**1.84%**	**78,999.4**	**932.6**	**2.36%**
Retail deposits						
Demand	8,925.4	16.9	0.38%	9,056.0	20.8	0.46%
Time	30,596.9	513.7	3.36%	38,883.5	701.6	3.60%
Subtotal	**39,522.3**	**530.6**	**2.68%**	**47,939.5**	**722.4**	**3.02%**
Total deposits from customers	**96,104.6**	**1,051.8**	**2.18%**	**126,938.9**	**1,655.0**	**2.60%**

Notes:

(1) Calculated as the average of our daily balances.

(2) Calculated on an annualized basis.

Corporate deposits

Interest expense on corporate deposits represented 49.6% and 56.4% of our total interest expense on deposits from customers for the six months ended June 30, 2014 and 2015, respectively. Interest expense on corporate deposits increased by 78.9% to RMB932.6 million for the six months ended June 30, 2015 compared to RMB521.2 million over the same period in 2014, primarily due to an increase in the average balance of our corporate deposits from RMB56,582.3 million in the six months ended June 30, 2014 to RMB78,999.4 million in the six months ended June 30, 2015 and an increase in the average cost of our corporate deposits from 1.84% as of June 30, 2014 to 2.36% as of June 30, 2015.

Interest expenses on corporate time deposits increased by 91.7% to RMB868.7 million for the six months ended June 30, 2015 compared with RMB453.1 million in the same period in 2014, due to increases in the average balance and the average cost of our corporate time deposits. The average balance of our corporate time deposits increased by 67.6% to RMB56,922.7 million for the six months ended June 30, 2015 compared to RMB33,961.2 million over the same period in 2014, primarily due to (i) the addition of our branches and sub-branches, and (ii) our increasing marketing efforts to further develop our business and strengthen our corporate customer base. The average cost on corporate time deposits increased to 3.06% for the six months ended June 30, 2015 compared to 2.66% over the same period in 2014, primarily because the PBOC raised the interest rate cap on RMB-denominated deposits several times in the second half of 2014 and the first half of 2015, which allowed us to offer higher returns to some of our corporate deposits customers.

Interest expense on corporate demand deposits remained stable at RMB68.1 million and RMB63.9 million for the six months ended June 30, 2014 and 2015, respectively.

Retail deposits

Interest expense on retail deposits represented 50.4% and 43.6% of our total interest expense on deposits from customers for the six months ended June 30, 2014 and 2015, respectively. Interest expense on retail deposits increased by 36.1% to RMB722.4 million for the six months ended June 30, 2015 compared to RMB530.6 million over the same period in 2014, due to increases in the average balance and the average cost of our retail deposits. The average balance of our retail deposits increased by 21.3% to RMB47,939.5 million for the six months ended June 30, 2015 compared to RMB39,522.3 million over the same period in 2014. The average cost on our retail deposits increased to 3.02% for the six months ended June 30, 2015 compared to 2.68% over the same period in 2014.

Interest expense on retail time deposits increased by 36.6% to RMB701.6 million for the six months ended June 30, 2015 compared to RMB513.7 million over the same period in 2014, primarily due to increases in the average balance and the average cost of our retail time deposits. The average balance of our retail time deposits increased by 27.1% to RMB38,883.5 million for the six months ended June 30, 2015 compared with RMB30,596.9 million for the six months ended June 30, 2014, primarily due to (i) the addition of our branches and sub-branches; and (ii) the continuing expansion of our retail deposits customer base. The average cost on our retail time deposits increased to 3.60% for the six months ended June 30, 2015 compared to 3.36% over the same period in 2014, primarily because the proportion of our longer-term time deposits increased as a result of market demand and our decision to introduce the Youyuebao (悠悦寶) deposits product, which encouraged customers to maintain longer-term deposits with us.

Interest expense on retail demand deposits increased by 23.1% to RMB20.8 million for the six months ended June 30, 2015 compared with RMB16.9 million over the same period in 2014, primarily due to an increase in the average cost of retail demand deposits. The average cost on our retail demand deposits increased to 0.46% for the six months ended June 30, 2015 compared to 0.38% over the same period in 2014, primarily because we offered higher deposits interests rates to our retail customers as a result of the continuing liberalization of the interest rate caps of RMB-denominated deposits by the PBOC.

Interest Expense on Deposits from Banks and Other Financial Institutions

Interest expense on deposits from banks and other financial institutions increased by 25.5% to RMB2,666.4 million for the six months ended June 30, 2015 compared to RMB2,124.9 million over the same period in 2014, primarily due to an increase in the average balance of our deposits from banks and other financial institutions, partially set off by a decrease in the average cost of our deposits from banks and other financial institutions. The average balance of our deposits from banks and other financial institutions increased by 34.8% to RMB96,193.7 million for the six months ended June 30, 2015 compared to RMB71,338.5 million over the same period in 2014, primarily due to our efforts to increase our inter-bank liabilities when the market interest rates were relatively low. The decrease in the average cost of our deposits from banks and other financial institutions to 5.54% for the six months ended June 30, 2015 from 5.96% for the six months ended June 30, 2014 was primarily attributable to the general lower market interest rates in the first half of 2015 as a result of improved market liquidity.

Interest Expense on Placements from Banks and other Financial Institutions

Interest expense on placements from banks and other financial institutions decreased by 68.4% to RMB15.1 million for the six months ended June 30, 2015 compared to RMB47.8 million over the same period in 2014, primarily due to a decrease in the average cost of our placements from banks and other financial institutions, partially offset by an increase in the average balance of our placements from banks and other financial institutions. The decrease in the average cost of our placements from banks and other financial institutions to 0.70% for the six months ended June 30, 2015 from 3.10% for the six months ended June 30, 2014 was primarily because our placements from banks and other financial institutions were primarily denominated in foreign currencies in the first half of 2015 and placements from banks and other financial institutions denominated in foreign currencies usually have lower costs. The average balance of our placements from banks and other financial institutions increased by 41.4% to RMB4,373.3 million for the six months ended June 30, 2015 compared to RMB3,092.7 million over the same period in 2014, primarily attributable to our increasing demand for foreign currencies due to the expansion of our businesses involving foreign currencies.

Interest Expense on Financial Assets Sold under Repurchase Agreements

Interest expense on financial assets sold under repurchase agreements increased by 14.8% to RMB173.4 million for the six months ended June 30, 2015 compared to RMB151.0 million over the same period in 2014, primarily due to an increase in the average balance of our financial assets sold under repurchase agreements, partially offset by a decrease in the average cost of our financial assets sold under repurchase agreements. The average balance of our financial assets sold under repurchase agreements increased by 43.7% to RMB11,378.4 million for the six months ended June 30, 2015 compared to RMB7,920.3 million over the same period in 2014, primarily attributable to our decision to balance yield and liquidity. The decrease in the average cost of our financial assets sold under repurchase agreements to 3.04% for the six months ended June 30, 2015 from 3.82% for the six months ended June 30, 2014 was primarily attributable to a general decrease of market interest rates in the first half of 2015 as a result of improved market liquidity.

Interest Expense on Debt Securities Issued

Our interest expense on debt securities issued increased to RMB67.0 million for the six months ended June 30, 2015 from RMB58.9 million over the same period in 2014, primarily due to increase in the average balance of debt securities issued. The increase in the average balance of our debt securities issued was primarily because we issued fixed rate tier 2 capital debts of RMB1,500 million with a term of ten years on January 24, 2014, which were fully factored in when calculating the average balance of such liability for the six months ended June 30, 2015. See "— Indebtedness."

Interest Expense on Wealth Management Products Funds

Our interest expense on wealth management products funds increased by 219.7% to RMB661.8 million for the six months ended June 30, 2015 from RMB207.0 million for the six months ended June 30, 2014, primarily due to an increase in the average balance of our wealth management products funds. The average balance of our wealth management products funds increased by 222.3% to RMB24,266.4 million for the six months ended June 30, 2015 from RMB7,516.7 million for the same period in 2014, primarily because we continued to increase the scale of the wealth management products issued by us in response to market demand.

Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets.

Our net interest spread increased to 2.94% for the six months ended June 30, 2015 compared to 2.04% over the same period in 2014. Our net interest margin increased to 3.16% for the six months ended June 30, 2015 compared to 2.24% over the same period in 2014.

The increases in our net interest margin and net interest spread during the six months ended June 30, 2015 compared to the same period in 2014 were primarily due to (i) our continuing adjustments to the structure of our assets by increasing the balance of the interest-earning assets with higher yields, and (ii) the increase of the average yield of our loans and advances to customers and the average yield of investment securities and other financial assets.

Net Fee and Commission Income

Net fee and commission income represented 2.4% and 2.8% of our total operating income for the six months ended June 30, 2014 and 2015, respectively. The following table sets forth, for the periods indicated, the principal components of our net fee and commission income.

	For the six months ended June 30,	
	2014	**2015**
	(unaudited)	
	(in millions of RMB)	
Settlement and clearing fees	43.4	67.7
Agency service fees	8.1	41.4
Wealth management service fees	1.0	30.6
Bank card service fees	6.3	7.8
Underwriting and advisory fees	2.9	6.6
Trade financing service fees	0.1	—
Others[(1)]	16.4	6.8
Fee and commission income	**78.2**	**160.9**
Fee and commission expense	(22.2)	(28.6)
Net fee and commission income	**56.0**	**132.3**

Note:

(1) Primarily include loan commitment fees and beneficial interest transfer plan arrangement fees.

Our net fee and commission income increased by 136.3% to RMB132.3 million for the six months ended June 30, 2015 compared to RMB56.0 million over the same period in 2014. This increase was primarily due to increases in our settlement and clearance fees, agency service fees and wealth management service fees, reflecting the growth of our intermediary business.

Settlement and Clearing Fees

Settlement and clearance fee income consists primarily of fees earned on money transfers and other fees earned on settlement and clearing services (including remittance), account and cash management services. Settlement and clearance fees increased by 56.0% to RMB67.7 million for the six months ended June 30, 2015 compared to RMB43.4 million over the same period in 2014. Such increase was primarily due to the increase in the volume of our domestic settlement transactions.

Agency Service Fees

Agency service fee income consists primarily of fees earned from entrusted loan business and our fee collection services. Agency service fee income increased by 411.1% to RMB41.4 million for the six months ended June 30, 2015 compared to RMB8.1 million over the same period in 2014. Such increase was primarily due to the growth of our entrusted loans business.

Wealth Management Service Fees

Wealth management service fee income consists primarily of commissions earned from the sale of wealth management products to our customers. Our wealth management service fee income increased by 2,960.0% to RMB30.6 million for the six months ended June 30, 2015 compared to RMB1.0 million over the same period in 2014, primarily due to the growth of the scale of non-principal-guaranteed wealth management products sold to our customers as a result of our increasing marketing efforts.

Bank Card Service Fees

Bank card service fee income consists primarily of various fees associated with our debit and credit cards, such as transaction fees from merchants on the use of our bank cards, card replacement fees, late fees and transaction fees charged for servicing cards issued by other banks. Bank card service fee income increased by 23.8% to RMB7.8 million for the six months ended June 30, 2015 compared to RMB6.3 million over the same period in 2014. The increase in bank card service fee income was primarily due to (i) the continued increase in the number of bank cards issued by us, and (ii) the growth of the transaction volume of our bank cards.

Underwriting and Advisory Fees

Underwriting and advisory fee income consists primarily of fees earned from dealing in securities and providing financial advisory services. Underwriting and advisory fee income increased by 127.6% to RMB6.6 million for the six months ended June 30, 2015 compared to RMB2.9 million over the same period in 2014, primarily due to the growth of our financial advisory business.

Fee and Commission Expenses

Fee and commission expenses consist primarily of expenses paid to third parties in connection with our settlement and clearance, trade financing, bank card, agency and consultancy businesses.

Our fee and commission expenses increased by 28.8% to RMB28.6 million for the six months ended June 30, 2015 compared to RMB22.2 million over the same period in 2014, primarily due to an increase in volume of our fee- and commission-based business.

Our fee and commission expenses as a percentage of our fee and commission income were 28.4% and 17.8% for the six months ended June 30, 2014 and 2015, respectively.

Net Trading Gains/(Losses)

Our net trading gains/losses primarily comprise of net gains or losses from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. In the six months ended June 30, 2015, we incurred a net trading gain of RMB60.8 million. In the six months ended June 30, 2014, we incurred a net trading loss of RMB7.2 million. The increase in our trading gains in the six months ended June 30, 2015 was primary due to the general decrease of market interest rates which led to an increase in the fair value gain on our trading securities.

Dividend Income

Dividend income consists primarily of dividends from our available-for-sale equity investments. Dividend income increased to RMB0.4 million for the six months ended June 30, 2015 compared with nil for the six months ended June 30, 2014, primarily due to dividends received from China UnionPay in the first half of 2015.

Net Gains arising from Investment Securities

We had a net gain arising from investment securities of RMB2.3 million for the six months ended June 30, 2015, representing a 35.3% increase compared to the net gain arising from investment securities of RMB1.7 million for the six months ended June 30, 2014. The increase was mainly due to volatility in the financial markets.

Foreign Exchange Gain

Foreign exchange gain primarily represents net gain arising out of foreign currency settlement and foreign currency trading. Foreign exchange gain increased by 143.9% to RMB32.2 million in the six months ended June 30, 2015 from RMB13.2 million over the same period in 2014, primarily due to an increase in the value of our assets denominated in foreign currencies as a result of the appreciation of the U.S. dollar against Renminbi in the first half of 2015.

Other Operating Income

Other operating income primarily includes gains from government grants and rental income from the properties owned by us pending our eventual disposal of such properties.

Other operating income increased by 174.3% to RMB9.6 million in the six months ended June 30, 2015 from RMB3.5 million over the same period in 2014, reflecting an increase in gains from government grants and subsidies.

Operating Expenses

The following table sets forth, for the periods indicated, the principal components of our operating expenses.

	For the six months ended June 30,	
	2014	2015
	(unaudited)	
	(in millions of RMB)	
Staff cost	454.3	537.0
General and administrative expenses	198.9	250.6
Business tax and surcharges	181.7	223.1
Depreciation and amortization	148.1	169.3
Other operating expenses	0.3	66.5
Total operating expenses	**983.3**	**1,246.5**

Our operating expenses increased by 26.8% to RMB1,246.5 million for the six months ended June 30, 2015 compared to RMB983.3 million over the same period in 2014. Our operating expenses to total operating income ratio was 43.0% and 26.6% in the six months ended June 30, 2014 and 2015, respectively. The decrease in such ratio was primarily due to our continued efforts to implement our cost control measures.

Staff Costs

Staff costs were the largest component of our operating expenses, representing 46.2% and 43.1% of our total operating expenses for the six months ended June 30, 2014 and 2015, respectively.

The following table sets forth, for the periods indicated, the principal components of our staff costs.

	For the six months ended June 30,	
	2014	2015
	(unaudited)	
	(in millions of RMB)	
Salaries and bonuses	316.4	380.8
Staff welfares	17.7	18.3
Pension	55.3	62.2
Housing allowances	25.1	28.1
Supplementary retirement benefits	0.8	0.9
Other staff welfares[1]	39.0	46.7
Total staff costs	**454.3**	**537.0**

Note:

(1) Consist primarily of labor union expenses, employee training expenses, employee medical expenses, other social and welfare expenses and other long term staff welfares.

Staff costs increased by 18.2% to RMB537.0 million for the six months ended June 30, 2015 from RMB454.3 million for the six months ended June 30, 2014, in line with our overall business growth.

We have established defined benefits plans to provide supplementary retirement benefits and other long term staff welfares to our employees. For details of such plans, including the details of the most recent actuarial valuation and actuarial assumptions and method of such plans, see Notes 34(b) and 34(c) of the financial information in Appendix I — Accountants' Report. Pursuant to the most recent actuarial valuation, the fair market value of our defined benefits plans as of June 30, 2015 was nil.

General and Administrative Expenses

General and administrative expenses increased by 26.0% to RMB250.6 million for the six months ended June 30, 2015 compared to RMB198.9 million for the same period in 2014, primarily as a result of the increase of our promotion expenses and daily administration expenses to support the growth of our business.

Business Tax and Surcharges

Business tax and surcharges mainly relate to revenue generated from lending (interest income), transfer of securities, financial advisory services, and other financial services. Our business tax and surcharges increased by 22.8% to RMB223.1 million for the six months ended June 30, 2015 compared to RMB181.7 million for the six months ended June 30, 2014, primarily due to increases in our taxable income as a result of our overall business growth.

Depreciation and Amortization

Depreciation and amortization expenses comprise primarily of depreciation of our fixed assets and amortization of land-use rights, software and other intangible assets. Our depreciation and amortization expenses increased by 14.3% to RMB169.3 million for the six months ended June 30, 2015 compared to RMB148.1 million for the same period in 2014, primarily due to (i) increases in depreciation charges for the newly purchased properties and equipment for new branches and sub-branches and amortization charges for the intangible assets in connection with our IT systems, and (ii) an increase in amortization of part of marketing expenses as a result of our overall business growth.

Impairment Losses on Assets

Impairment losses on assets consist primarily of provisions charged on loans and advances to customers, debt securities classified as receivables and other assets.

Impairment losses on assets increased by 1,276.4% to RMB1,534.7 million for the six months ended June 30, 2015 compared to RMB111.5 million for the same period in 2014. The increase in impairment losses on assets was primarily due to (i) our decision to implement more prudent risk management policies in view of the overall economic downturn, (ii) the rapid increase of our investments in debt securities classified as receivables, and (iii) the increase of our non-performing loans in absolute terms in line with the overall growth of our loan portfolio.

The following table sets forth, for the periods indicated, the principal components of our impairment losses on assets:

	For the six months ended June 30,	
	2014	**2015**
	(unaudited)	
	(in millions of RMB)	
Impairment losses on loans and advances to customers	98.5	1,299.4
Impairment losses on debt securities classified as receivables	5.4	235.3
Impairment losses on other assets[(1)]	7.6	—
Total impairment losses on assets	111.5	1,534.7

Note:

(1) Mainly include impairment losses on other receivables.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 59.2% to RMB1,898.4 million for the six months ended June 30, 2015 compared to RMB1,192.1 million for the same period in 2014.

Income Tax Expense

The following table sets forth our profit before tax and reconciliation between income tax expense based on the PRC statutory income tax rate and actual income tax expense for the six months ended June 30, 2014 and 2015, respectively.

	For the six months ended June 30,	
	2014	2015
	(unaudited)	
	(in millions of RMB)	
Profit before tax	1,192.1	1,898.4
Income tax expenses calculated at the PRC statutory tax rate	298.0	474.6
Non-deductible expenses[1]	4.2	5.0
Non-taxable income[2]	(20.1)	(21.1)
Total income tax expense	**282.1**	**458.5**

Notes:

(1) Primarily includes non-deductible employee benefits and entertainment expenses.

(2) Consists primarily of interest income from the PRC treasury bonds, which are exempted from income tax under the PRC tax regulations.

For the six months ended June 30, 2014 and 2015, our effective income tax rates were 23.66% and 24.15%, respectively.

Net Profit

As a result of the foregoing factors, our net profit increased by 58.2% to RMB1,439.9 million for the six months ended June 30, 2015 compared to RMB910.0 million for the same period in 2014.

Years ended December 31, 2012, 2013 and 2014

Net Interest Income

Net interest income was the largest component of our total operating income, representing 93.3%, 97.4% and 97.1% of our total operating income for the years ended December 31, 2012, 2013 and 2014, respectively.

The following table sets forth, for the years indicated, our interest income, interest expense and net interest income.

	For the year ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Interest income	5,733.7	8,522.9	13,582.5
Interest expense	(2,479.7)	(4,701.5)	(7,954.1)
Net interest income	**3,254.0**	**3,821.4**	**5,628.4**

Our net interest income increased by 47.3% to RMB5,628.4 million in 2014 from RMB3,821.4 million in 2013, due to an increase in interest income from interest-earning assets resulting from (i) an increase of RMB61,802.5 million, or 40.7%, in the average balance of interest-earning assets, and (ii) an increase of 75 basis points in the average yield of interest-earning assets, partially offset by an increase in interest expense as a result of (i) an increase of RMB59,647.5 million, or 41.8%, in the average balance of interest-bearing liabilities, and (ii) an increase in the average cost on interest-bearing liabilities by 64 basis points.

Our net interest income increased by 17.4% to RMB3,821.4 million in 2013 compared to RMB3,254.0 million in 2012, due to an increase in interest income from interest-earning assets resulting from an increase of RMB53,349.9 million, or 54.2%, in the average balance of interest-earning assets, partially offset by (i) a decrease in the average yield of 21 basis points on interest-earning assets, and (ii) an increase in interest expense as a result of (a) an increase of RMB52,730.6 million, or 58.6%, in the average balance of interest-bearing liabilities, and (b) an increase in the average cost on interest-bearing liabilities by 53 basis points.

The following table sets forth, for the years indicated, the average balances of our assets and liabilities and the related interest income or expense and the average yield or cost. The average balances of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentages)								
Interest-earning assets									
Loans and advances to customers	55,965.6	4,139.5	7.40%	71,497.4	5,112.8	7.15%	84,561.1	6,195.2	7.33%
Investment securities and other financial assets(1)	21,291.6	1,117.2	5.25%	41,875.7	2,332.1	5.57%	82,625.8	5,788.5	7.01%
Cash and deposits with the central bank	15,603.6	238.8	1.53%	20,812.5	316.4	1.52%	25,856.4	397.6	1.54%
Deposits with banks and other financial institutions	3,915.0	181.8	4.64%	10,943.8	511.8	4.68%	17,927.5	1,068.9	5.96%
Placements with banks and other financial institutions	26.0	0.1	0.38%	1,911.4	78.5	4.11%	1,532.3	96.5	6.30%
Financial assets held under resale agreements	1,696.4	56.3	3.32%	4,807.3	171.3	3.56%	1,147.5	35.8	3.12%
Total interest-earning assets	**98,498.2**	**5,733.7**	**5.82%**	**151,848.1**	**8,522.9**	**5.61%**	**213,650.6**	**13,582.5**	**6.36%**

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)								
Interest-bearing liabilities									
Deposits from customers	73,342.7	1,620.5	2.21%	87,317.8	1,899.4	2.18%	102,539.1	2,374.3	2.32%
Deposits from banks and other financial institutions	11,520.1	637.7	5.54%	45,391.6	2,369.5	5.22%	74,600.9	4,429.0	5.94%
Placements from banks and other financial institutions	1,722.0	46.7	2.71%	2,531.1	82.3	3.25%	3,185.8	76.6	2.40%
Financial assets sold under repurchase agreements	2,072.7	102.2	4.93%	6,288.9	289.8	4.61%	9,171.2	335.4	3.66%
Debt securities issued	991.8	57.3	5.78%	500.0	29.5	5.90%	1,886.2	126.7	6.72%
Wealth management products funds	326.9	15.2	4.65%	638.4	29.8	4.67%	10,860.8	608.3	5.60%
Other liabilities(2)	3.7	0.1	2.70%	42.7	1.2	2.81%	114.0	3.8	3.33%
Total interest-bearing liabilities	**89,979.9**	**2,479.7**	**2.76%**	**142,710.5**	**4,701.5**	**3.29%**	**202,358.0**	**7,954.1**	**3.93%**
Net interest income		**3,254.0**			**3,821.4**			**5,628.4**	
Net interest spread(3)			**3.06%**			**2.32%**			**2.43%**
Net interest margin(4)			**3.30%**			**2.52%**			**2.63%**

Notes:

(1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables.

(2) Include borrowing from the central bank.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-earning assets, calculated based on the daily average of interest-earning assets.

The following table sets forth, for the years indicated, the changes in our interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of our interest-earning assets and interest-bearing liabilities, and changes in interest rate are measured by changes in the average rates of our interest-earning assets and interest-bearing liabilities. Effects of changes caused by both volume and rate have been allocated to changes in interest rate.

	For the years ended December 31,					
	2013 vs. 2012			2014 vs. 2013		
	Increase/(decrease) due to			Increase/(decrease) due to		
	Volume(1)	Interest rate(2)	Net increase/ (decrease)(3)	Volume(1)	Interest rate(2)	Net increase/ (decrease)(3)
	(in millions of RMB)					
Interest-earning assets						
Loans and advances to customers	1,110.7	(137.4)	973.3	957.1	125.3	1,082.4
Investment securities and other financial assets	1,146.3	68.6	1,214.9	2,854.8	601.6	3,456.4
Cash and deposits with the central bank	79.2	(1.6)	77.6	77.6	3.6	81.2
Deposits with banks and other financial institutions	328.7	1.3	330.0	416.4	140.7	557.1
Placements with banks and other financial institutions	77.4	1.0	78.4	(23.9)	41.9	18.0
Financial assets held under resale agreements	110.9	4.1	115.0	(114.2)	(21.3)	(135.5)
Total changes in interest income	**2,853.2**	**(64.0)**	**2,789.2**	**4,167.8**	**891.8**	**5,059.6**
Interest-bearing liabilities						
Deposits from customers	304.0	(25.1)	278.9	352.5	122.4	474.9
Deposits from banks and other financial institutions	1,768.1	(36.3)	1,731.8	1,734.1	325.4	2,059.5
Placements from banks and other financial institutions	26.3	9.3	35.6	15.7	(21.4)	(5.7)
Financial assets sold under repurchase agreements	194.3	(6.7)	187.6	105.4	(59.8)	45.6
Debt securities issued	(29.0)	1.2	(27.8)	93.1	4.1	97.2
Wealth management products funds	14.5	0.1	14.6	572.5	6.0	578.5
Other liabilities	1.1	—	1.1	2.4	0.2	2.6
Total changes in interest expense	**2,279.3**	**(57.5)**	**2,221.8**	**2,875.7**	**376.9**	**3,252.6**
Total changes in net interest income	**573.9**	**(6.5)**	**567.4**	**1,292.1**	**514.9**	**1,807.0**

Notes:

(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the previous year.

(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the year.

(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

Interest Income

Our interest income increased by 59.4% to RMB13,582.5 million in 2014 from RMB8,522.9 million in 2013, due to (i) an increase of 40.7% in the average balance of interest-earning assets from RMB151,848.1 million in 2013 to RMB213,650.6 million in 2014, and (ii) an increase in the average yield from 5.61% in 2013 to 6.36% in 2014. Increase in the average balance of interest-earning assets was primarily due to increases in the average balance of loans and advances to customers as well as investment securities and other financial assets in line with the growth of our business. The increase in the average yield on our interest-earning assets was primarily due to increases in the average yields of investment securities and other financial assets, loans and advances to customers, deposits with banks and other financial institutions and placements with banks and other financial institutions.

Our interest income increased by 48.6% to RMB8,522.9 million in 2013 compared to RMB5,733.7 million in 2012, due to an increase of 54.2% in the average balance of interest-earning assets from RMB98,498.2 million in 2012 to RMB151,848.1 million in 2013, partially offset by a decrease in the average yield of interest-earning assets from 5.82% in 2012 to 5.61% in 2013. Increase in the average balance of interest-earning assets was primarily due to increases in the average balance of loans and advances to customers, investment securities and other financial assets and deposits with banks and other financial institutions in line with the growth of our business. The decrease in the average yield on our interest-earning assets was primarily due to decreases in the average yields of loans and advances to customers.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the largest component of our interest income, representing 72.2%, 60.0% and 45.6% of our total interest income in 2012, 2013 and 2014, respectively.

The following table sets forth, for the years indicated, the average balance, interest income and average yield for each component of our loans and advances to customers.

	For the year ended December 31,								
	2012			2013			2014		
	Average balance[1]	Interest income	Average yield	Average balance[1]	Interest income	Average yield	Average balance[1]	Interest income	Average yield
	(in millions of RMB, except percentages)								
Corporate loans	54,164.7	3,985.3	7.36%	68,352.1	4,859.8	7.11%	78,300.1	5,681.0	7.26%
Retail loans	1,689.5	146.6	8.68%	2,927.3	237.9	8.13%	6,026.0	488.9	8.11%
Discounted bills	111.4	7.6	6.82%	218.0	15.1	6.93%	235.0	25.3	10.77%
Total loans and advances to customers	**55,965.6**	**4,139.5**	**7.40%**	**71,497.4**	**5,112.8**	**7.15%**	**84,561.1**	**6,195.2**	**7.33%**

Note:

(1) Calculated as the average of our daily balances.

Interest income from loans and advances to customers increased by 21.2% to RMB6,195.2 million in 2014 from RMB5,112.8 million in 2013, due to (i) an increase in the average balance of loans and advances to customers from RMB71,497.4 million in 2013 to RMB84,561.1 million in 2014, and (ii) an increase in the average yield of loans and advances to customers to 7.33% in 2014 from 7.15% in 2013.

Interest income from loans and advances to customers increased by 23.5% to RMB5,112.8 million in 2013 compared to RMB4,139.5 million in 2012, due to an increase in the average balance of loans and advances to customers from RMB55,965.6 million in 2012 to RMB71,497.4 million in 2013, which was partially offset by a decrease in the average yield of loans and advances to customers to 7.15% in 2013 from 7.40% in 2012.

Interest income from corporate loans was the largest component of our interest income from loans and advances to customers. Interest income from corporate loans accounted for 96.3%, 95.1% and 91.7% of our total interest income from loans and advances to customers for the years ended December 31, 2012, 2013 and 2014, respectively.

2014 Compared with 2013

Interest income from corporate loans increased by 16.9% to RMB5,681.0 million in 2014 compared to RMB4,859.8 million in 2013, due to (i) an increase in the average balance of corporate loans by 14.6% from RMB 68,352.1 million in 2013 to RMB 78,300.1 million in 2014, and (ii) an increase in the average yield of corporate loans from 7.11% in 2013 to 7.26% in 2014. Increase in the average balance of corporate loans was primarily due to (i) increased market demand for corporate loans driven by economic growth in areas where we operate, (ii) the addition of new branches and sub-branches in 2014, and (iii) an increase in our loans to SMEs in response to the national policy on promoting the development of SMEs. The increase in the average yield of corporate loans was primarily due to our ongoing implementation of our customised pricing strategies in response to the need of different groups of customers.

Interest income from retail loans increased by 105.5% to RMB488.9 million in 2014 compared to RMB237.9 million in 2013, due to an increase in the average balance of retail loans. The average balance of retail loans increased by 105.9% to RMB6,026.0 million in 2014 from RMB2,927.3 million in 2013, primarily because (i) our retail loan business benefited from various policies of the PRC government to support and encourage financial institutions to develop credit services for individuals, (ii) the CBRC lowered the risk weighting of retail loans to encourage higher level of bank lending to retail loan customers, and (iii) we continued to carry out our strategy of focusing on the development of our "Three Smalls" microcredit business. The average yield of retail loans remained relatively stable in 2013 and 2014.

Interest income from discounted bills increased by 67.5% to RMB25.3 million in 2014 compared to RMB15.1 million in 2013, primarily due to an increase in the average yield from discounted bills. The average yield of discounted bills increased to 10.77% in 2014 compared to 6.93% in 2013, primarily because we selectively conducted certain high-yield bill discounting transactions whilst such transactions had a negligible impact on the average balance.

2013 Compared with 2012

Interest income from corporate loans increased by 21.9% to RMB4,859.8 million in 2013 compared to RMB3,985.3 million in 2012, due to an increase of the average balance by 26.2% to RMB68,352.1 million in 2013 compared to RMB54,164.7 million in 2012, partially offset by a decrease in the average yield of corporate loans to 7.11% in 2013 from 7.36% in 2012. The increase in the average balance of corporate loans was primarily the result of (i) increased market demand for corporate loans driven by continued economic growth in the areas where our Jinzhou branch, Beijing branch, Dalian branch and Harbin branch operate, and (ii) increases in our loans to SMEs following the national policy on promoting the development of SMEs. The decrease in the average yield of corporate loans was primarily due to (i) decreases in the benchmark interest rate of RMB-denominated loans in June and July 2012, and (ii) an increase in the proportion of collateralized and pledged loans which normally have lower risk and therefore lower average yield.

Interest income from retail loans increased by 62.3% to RMB237.9 million in 2013 compared to RMB146.6 million in 2012, due to an increase in the average balance of retail loans by 73.3% to RMB2,927.3 million in 2013 compared to RMB1,689.5 million in 2012, partially offset by a decrease in the average yield of retail loans to 8.13% in 2013 from 8.68% in 2012. The increase in our average balance of retail loans was primarily because (i) our retail loan business benefited from various policies of the PRC government to support and encourage financial institutions to develop financial services and credit services for individuals, (ii) the CBRC lowered the risk weighting of retail loans to encourage higher levels of bank lending to retail loan customers, and (iii) loans to "Three Smalls" customers increased substantially as we continued to carry out our strategy of focusing on the development of "Three Smalls" microcredit business. The decrease in average yield of retail loans was primarily due to (i) decreases in the benchmark interest rate of RMB-denominated loans by the PBOC in June and July 2012, (ii) increasing competition in the PRC banking industry, resulting in the overall decrease of the yield of retails loans, and (iii) an increase in the proportion of retail loans secured by certificates of deposits, which normally have lower risk and therefore lower average yields.

Interest income from discounted bills increased by 98.7% to RMB15.1 million in 2013 compared to RMB7.6 million in 2012, due to (i) an increase in the average balance of discounted bills, and (ii) an increase in the average yield of discounted bills. The average balance of discounted bills increased by 95.7% to RMB218.0 million in 2013 compared to RMB111.4 million in 2012, primarily attributable to our efforts to increase our position in discounted bills to manage liquidity risk and return in response to tight market liquidity in 2013. The average yield of discounted bills increased to 6.93% in 2013 compared to 6.82% in 2012, which primarily reflected an increase in the interest rates we were able to charge as a result of tight market liquidity in 2013.

Interest Income from Investment Securities and Other Financial Assets

Interest income from investment securities and other financial assets was the second largest component of our interest income, representing 19.5%, 27.4% and 42.6% of our interest income for the years ended December 31, 2012, 2013 and 2014, respectively.

Interest income from investment securities and other financial assets increased by 148.2% to RMB5,788.5 million in 2014 compared to RMB2,332.1 million in 2013, due to increases in the average balance and the average yield of investment securities and other financial assets. The average balance of investment securities and other financial assets increased by 97.3% to RMB82,625.8 million in 2014 compared to RMB41,875.7 million in 2013, primarily due to (i) an increase in the amount of funds available for investment in 2014, and (ii) our ongoing implementation of our strategy to diversify our products and services and expand our treasury business. The average yield on investment securities and other financial assets increased to 7.01% in 2014 from 5.57% in 2013, primarily due to an increase of investment products with higher yields in our investment portfolio, such as debt securities classified as receivables.

Interest income from investment securities and other financial assets increased by 108.7% to RMB2,332.1 million in 2013 compared to RMB1,117.2 million in 2012, due to increases in the average balance and average yield of investment securities and other financial assets. The average balance of investment securities and other financial assets increased by 96.7% to RMB41,875.7 million in 2013 compared to RMB21,291.6 million in 2012, primarily due to (i) an increase in the amount of our investments in beneficial interest transfer plans as we had more funds available for investment in 2013, and (ii) our ongoing implementation of our strategy to diversify our products and services and expand our treasury business. The average yield of investment securities and other financial assets increased from 5.25% in 2012 to 5.57% in 2013, primarily due to an increase of market interest rates in 2013.

Interest Income from Cash and Deposits with the Central Bank

Interest income from cash and deposits with the central bank increased by 25.7% to RMB397.6 million in 2014 compared to RMB316.4 million in 2013, primarily due to an increase in the average balance. The average balance of cash and deposits with the central bank increased by 24.2% to RMB25,856.4 million in 2014 from RMB20,812.5 million in 2013, primarily due to an increase in our deposits from customers. The average yield remained relatively stable at in 2013 and 2014.

Interest income from cash and deposits with the central bank increased by 32.5% to RMB316.4 million in 2013 compared to RMB238.8 million in 2012, due to an increase in average balance. The average balance increased by 33.4% to RMB20,812.5 million in 2013 from RMB15,603.6 million in 2012, primarily due to an increase in statutory deposit reserves resulting from our increased deposits from customers. The average yield remained relatively stable at in 2012 and 2013.

Interest Income from Deposits with Banks and Other Financial Institutions

Interest income from deposits with banks and other financial institutions increased by 108.9% to RMB1,068.9 million in 2014 compared to RMB511.8 million in 2013, due to increases in the average balance and the average yield. The average balance of our deposits with banks and other financial institutions increased by 63.8% to RMB17,927.5 million in 2014 compared to RMB10,943.8 million in 2013, primarily due to an increase in the funds available for investment as a result of growth in the scale of wealth management products issued by us. The increase in the average yield of our deposits with banks and other financial institutions to 5.96% in 2014 from 4.68% in 2013 was primarily because we increased the volume of long-term deposits with banks and other financial institutions at the end of 2013 and the beginning of 2014, during which time the market interest rates remained relatively high.

Interest income from deposits with banks and other financial institutions increased by 181.5% to RMB511.8 million in 2013 compared to RMB181.8 million in 2012, primarily due to an increase in the average balance. The average balance increased by 179.5% to RMB10,943.8 million in 2013 compared to RMB3,915.0 million in 2012, primarily because we actively adjusted our operating strategy to increase our deposits with banks and other financial institutions to expand our investment portfolio in light of an increase in our funds available for investment. The average yield for deposits with banks and other financial institutions remained relatively stable in 2012 and 2013.

Interest Income from Placements with Banks and Other Financial Institutions

Interest income from placements with banks and other financial institutions increased by 22.9% to RMB96.5 million in 2014 compared to RMB78.5 million in 2013, due to an increase in the average yield of such assets, partially offset by a decrease in the average balance of such assets. The average yield on placements with banks and other financial institutions increased from 4.11% in 2013 to 6.30% in 2014, primarily due to an increase in the proportion of the higher-yield RMB-denominated domestic inter-bank payment business in which we acted as a trustee in our investment portfolio during the first half of 2014. The average balance of placements with banks and other financial institutions decreased by 19.8% to RMB1,532.3 million in 2014 compared to RMB1,911.4 million in 2013, primarily due to our decision not to renew certain placements as they reached their expiration dates.

Interest income from placements with banks and other financial institutions increased to RMB78.5 million in 2013 compared to RMB0.1 million in 2012, due to increases in the average balance and the average yield. The average balance increased to RMB1,911.4 million in 2013 compared to RMB26.0 million in 2012, primarily due to (i) a growth in our RMB-denominated domestic inter-bank payment business in which we acted as a trustee, and (ii) an increase in our funds available for investment. The increase in the average yield to 4.11% in 2013 from 0.38% in 2012 was primarily due to an increase in market interest rates as a result of tight market liquidity in 2013.

Interest Income from Financial Assets Held under Resale Agreements

Interest income from financial assets held under resale agreements decreased by 79.1% to RMB35.8 million in 2014 from RMB171.3 million in 2013, due to decreases in both the average balance and the average yield. The average balance of our financial assets held under resale agreements decreased by 76.1% to RMB1,147.5 million in 2014 from RMB4,807.3 million in 2013, primarily attributable to our decision to balance yield and liquidity risk. The average yield of our financial assets held under resale agreements decreased to 3.12% in 2014 from 3.56% in 2013, primarily due to a decrease in the market interest rates of such assets in 2014.

Interest income from financial assets held under resale agreements increased by 204.3% to RMB171.3 million in 2013 from RMB56.3 million in 2012, due to increases in the average yield and the average balance. The average yield of our financial assets held under resale agreements increased to 3.56% in 2013 from 3.32% in 2012, primarily reflecting an increase in the market interest rates as a result of tight market liquidity in 2013. The average balance of our financial assets held under resale agreements increased by 183.4% to RMB4,807.3 million in 2013 from RMB1,696.4 million in 2012, primarily because we increased the amount of financial assets held under resale agreements to better manage our liquidity and yield.

Interest Expense

Interest expense increased by 89.6% from RMB2,479.7 million in 2012 to RMB4,701.5 million in 2013, and further increased by 69.2% to RMB7,954.1 million in 2014. The increases were due to (i) an increase in the average cost of interest-bearing liabilities, and (ii) an increase in the average balance of interest-bearing liabilities. The average balance of our interest-bearing liabilities was RMB89,979.9 million, RMB142,710.5 million and RMB202,358.0 million in 2012, 2013 and 2014, respectively. The increase in the average balance was primarily due to an increase in deposits from customers and deposits from banks and other financial institutions over the years. The average cost of our interest-bearing liabilities was 2.76%, 3.29% and 3.93% in 2012, 2013 and 2014, respectively. The increase in the average cost of our interest-bearing liabilities was primarily due to an increase in the average cost in debt securities issued and wealth management products funds.

Interest Expense on Deposits from Customers

Deposits from customers have been one of our primary sources of funding. Interest expense on deposits from customers represented 65.4%, 40.4% and 29.9% of our total interest expense for the years ended December 31, 2012, 2013 and 2014, respectively.

Interest expense on deposits from customers increased by 25.0% to RMB2,374.3 million in 2014 compared to RMB1,899.4 million in 2013, due to (i) an increase in the average balance by 17.4% to RMB102,539.1 million in 2014 from RMB87,317.8 million in 2013, and (ii) an increase in the average cost to 2.32% in 2014 from 2.18% in 2013.

Interest expense on deposits from customers increased by 17.2% to RMB1,899.4 million in 2013 compared to RMB1,620.5 million in 2012, due to an increase in the average balance of deposits from customers by 19.1% to RMB87,317.8 million in 2013 from RMB73,342.7 million in 2012. The average cost remained relatively stable in 2012 and 2013.

Our deposits from customers are classified into corporate deposits and retail deposits. The following table sets forth, for the years indicated, the average balance, interest expense and average cost for corporate and retail deposits.

	For the year ended December 31,								
	2012			**2013**			**2014**		
	Average balance[(1)]	**Interest expense**	**Average cost**	**Average balance[(1)]**	**Interest expense**	**Average cost**	**Average balance[(1)]**	**Interest expense**	**Average cost**
	(in millions of RMB, except percentages)								
Corporate deposits									
Demand	17,313.6	109.1	0.63%	21,124.3	117.2	0.55%	23,705.7	146.1	0.62%
Time	24,485.0	690.7	2.82%	28,277.8	779.4	2.76%	38,107.4	1,115.7	2.93%
Subtotal	**41,798.6**	**799.8**	**1.91%**	**49,402.1**	**896.6**	**1.81%**	**61,813.1**	**1,261.8**	**2.04%**
Retail deposits									
Demand	7,406.5	30.9	0.42%	8,434.4	32.7	0.39%	9,102.1	36.3	0.40%
Time	24,137.6	789.8	3.27%	29,481.3	970.1	3.29%	31,623.9	1,076.2	3.40%
Subtotal	**31,544.1**	**820.7**	**2.60%**	**37,915.7**	**1,002.8**	**2.64%**	**40,726.0**	**1,112.5**	**2.73%**
Total deposits from customers	**73,342.7**	**1,620.5**	**2.21%**	**87,317.8**	**1,899.4**	**2.18%**	**102,539.1**	**2,374.3**	**2.32%**

Note:

(1) Calculated as the average of our daily balances.

Corporate deposits

Interest expense on corporate deposits represented 49.4%, 47.2% and 53.1% of our total interest expense on deposits from customers in 2012, 2013 and 2014, respectively.

2014 compared to 2013

Interest expense on corporate deposits increased by 40.7% to RMB1,261.8 million in 2014 compared to RMB896.6 million in 2013, due to (i) an increase in the average balance from RMB49,402.1 million in 2013 to RMB61,813.1 million in 2014, and (ii) an increase in the average cost from 1.81% in 2013 to 2.04% in 2014.

Interest expenses on corporate time deposits increased by 43.1% to RMB1,115.7 million in 2014 compared with RMB779.4 million in 2013, due to an increase in the average balance and also an increase in the average cost. The average balance of our corporate time deposits increased by 34.8% to RMB38,107.4 million in 2014 compared to RMB28,277.8 million in 2013, primarily due to (i) the addition of new branches and sub-branches in 2014, and (ii) our increased marketing efforts to further develop our business and build our customer base. The average cost on corporate time deposits increased to 2.93% in 2014 compared to 2.76% in 2013, primarily because we continued to improve the maturity structure of our deposits by increasing the proportion of longer-term and higher-cost time deposits.

Interest expense on corporate demand deposits increased by 24.7% to RMB146.1 million in 2014 compared with RMB117.2 million in 2013, due to an increase in the average balance and an increase in the average cost. The average balance of corporate demand deposits increased by 12.2% to RMB23,705.7 million in 2014 compared to RMB21,124.3 million in 2013, primarily due to (i) the addition of new branches and sub-branches in 2014, and (ii) our increased marketing efforts to further develop our business and build our customer base. Our average cost of corporate demand deposits increased from 0.55% in 2013 to 0.62% in 2014, primarily due to our decision to offer an interest rate for RMB-denominated deposits at 120% of the PBOC deposits benchmark interest rate to a selected number of customers towards the end of 2014.

2013 Compared to 2012

Interest expense on corporate deposits increased by 12.1% to RMB896.6 million in 2013 from RMB799.8 million in 2012, due to an increase in the average balance from RMB41,798.6 million in 2012 to RMB49,402.1 million in 2013, partially offset by a decrease in the average cost from 1.91% in 2012 to 1.81% in 2013.

Interest expense on corporate time deposits increased by 12.8% to RMB779.4 million in 2013 from RMB690.7 million in 2012, primarily due to an increase in the average balance to RMB28,277.8 million in 2013 from RMB24,485.0 million in 2012, partially offset by a decrease in the average cost to 2.76% in 2013 from 2.82% in 2012. Interest expense on corporate demand deposits increased by 7.4% to RMB117.2 million in 2013 compared to RMB109.1 million in 2012, primarily due to an increase in the average balance to RMB21,124.3 million in 2013 compared to RMB17,313.6 million in 2012, partially offset by a decrease in the average cost to 0.55% in 2013 from 0.63% in 2012. The increases in the average balance of both corporate demand deposits and corporate time deposits in 2013 were primarily attributable to (i) our marketing efforts to maintain the growth of our corporate deposits, and (ii) the addition of new branches, namely Anshan branch and Chaoyang branch, and sub-branches in 2013. The decreases in the average cost of both corporate demand deposits and corporate time deposits in 2013 were primarily due to the reductions by the PBOC of the benchmark interest rates for deposits in the second half of 2012.

Retail deposits

2014 compared to 2013

Interest expense on retail deposits increased by 10.9% to RMB1,112.5 million in 2014 from RMB1,002.8 million in 2013, due to (i) an increase in the average balance from RMB37,915.7 million in 2013 to RMB40,726.0 million in 2014, and (ii) an increase in the average cost from 2.64% in 2013 to 2.73% in 2014.

Interest expense on retail time deposits increased by 10.9% to RMB1,076.2 million in 2014 compared to RMB970.1 million in 2013, due to increases in the average balance and the average cost. The average balance increased to RMB31,623.9 million in 2014 from RMB29,481.3 million in 2013, primarily due to (i) our increased marketing efforts towards “Three Smalls” customers, and (ii) the addition of new branches and sub-branches in 2014. The average cost increased to 3.40% in 2014 from 3.29% in 2013, primarily because we continued to adjust the maturity structure of our retail deposits by increasing the proportion of longer-term and higher-cost retail time deposits in our total retail time deposits.

Interest expense on retail demand deposits increased by 11.0% to RMB36.3 million from RMB32.7 million, primarily attributable to an increase in the average balance to RMB9,102.1 million in 2014 from RMB8,434.4 million in 2013. The increase in the average balance of retail demand deposits was primarily due to (i) our increased marketing efforts towards “Three Smalls” customers, and (ii) the addition of new branches and sub-branches in 2014. The average cost of retail demand deposits remained relatively stable in 2013 and 2014.

2013 compared to 2012

Interest expense on retail deposits increased by 22.2% to RMB1,002.8 million in 2013 from RMB820.7 million in 2012, due to (i) an increase in the average cost from 2.60% in 2012 to 2.64% in 2013; and (ii) an increase in the average balance to RMB37,915.7 million in 2013 from RMB31,544.1 million in 2012.

Interest expense on retail time deposits increased by 22.8% to RMB970.1 million in 2013 compared to RMB789.8 million in 2012, primarily due to an increase in the average balance from RMB24,137.6 million in 2012 to RMB29,481.3 million in 2013. Interest expense on retail demand deposits increased by 5.8% to RMB32.7 million in 2013 compared to RMB30.9 million in 2012, due to an increase in the average balance to RMB8,434.4 million in 2013 from RMB7,406.5 million in 2012. The increases in the average balance of both retail demand deposits and retail time deposits were primarily due to (i) our increased marketing efforts towards “Three Smalls” customers, and (ii) the addition of new branches and sub-branches in 2013. The average cost of both retail demand deposits and retail time deposits remained relatively stable in 2012 and 2013.

Interest Expense on Deposits from Banks and Other Financial Institutions

Interest expense on deposits from banks and other financial institutions increased by 86.9% to RMB4,429.0 million in 2014 compared to RMB2,369.5 million in 2013, due to both an increase in the average balance and an increase in the average cost. The average balance of such liabilities increased by 64.3% to RMB74,600.9 million in 2014 compared to RMB45,391.6 million in 2013, primarily due to our active efforts to increase inter-bank liabilities to enhance liquidity management. The increase in the average cost of such liabilities to 5.94% in 2014 from 5.22% in 2013 was primarily because we took in certain amount of longer-term and higher-cost deposits from banks and financial institutions at the end of 2013 and at the beginning of 2014 when the market interest rates were relatively high.

Interest expense on deposits from banks and other financial institutions increased by 271.6% to RMB2,369.5 million in 2013 compared to RMB637.7 million in 2012, due to an increase in the average balance, partially offset by a decrease in the average cost. The average balance increased by 294.0% to RMB45,391.6 million in 2013 compared to RMB11,520.1 million in 2012 and our average cost decreased from 5.54% in 2012 to 5.22% in 2013, primarily because we actively sought more deposits from banks and other financial institutions when the cost was relatively low.

Interest Expense on Placements from Banks and other Financial Institutions

Interest expense on placements from banks and other financial institutions decreased by 6.9% to RMB76.6 million in 2014 compared to RMB82.3 million in 2013, due to a decrease in the average cost, which was partially offset by an increase in the average balance. The decrease in the average cost of placements from banks and other financial institutions to 2.40% in 2014 from 3.25% in 2013 was primarily due to an increase of the proportion of our deposits from banks and other financial institutions denominated in foreign currencies (which usually have lower cost). The average balance of such liabilities increased by 25.9% to RMB3,185.8 million in 2014 compared to RMB2,531.1 million in 2013, primarily because we increased our placements of funds denominated in foreign currencies from banks and other financial institutions due to the widening funding gap of our foreign exchange funds.

Interest expense on placements from banks and other financial institutions increased by 76.2% to RMB82.3 million in 2013 compared to RMB46.7 million in 2012, due to an increase in the average cost, partially offset by a decrease in the average balance. The average cost on such liabilities increased from 2.71% in 2012 to 3.25% in 2013, primarily due to an increase in the proportion of our RMB-denominated domestic inter-bank payment business with higher cost in which we acted as an entrusted party. The average balance of such liabilities increased by 47.0% to RMB2,531.1 million in 2013 from RMB1,722.0 million in 2012, primarily due to an increase in our placements of foreign exchange funds from banks and other financial institutions.

Interest Expense on Financial Assets Sold under Repurchase Agreements

Interest expense on financial assets sold under repurchase agreements increased by 15.7% to RMB335.4 million in 2014 compared to RMB289.8 million in 2013, due to an increase in the average balance, partially offset by a decrease in the average cost. The average balance of such liabilities increased by 45.8% to RMB9,171.2 million in 2014 compared to RMB6,288.9 million in 2013, primarily because we increased the use of shorter-term and lower-cost financial assets under repurchase agreements to improve our liquidity. The decrease in the average cost of such liabilities to 3.66% in 2014 from 4.61% in 2013 was primarily attributable to loosened liquidity in the market in general in 2014.

Interest expense on financial assets sold under repurchase agreements increased by 183.6% to RMB289.8 million in 2013 compared to RMB102.2 million in 2012, due to an increase in the average balance, partially offset by a decrease in the average cost. The average balance of such liabilities increased by 203.4% to RMB6,288.9 million in 2013 compared to RMB2,072.7 million in 2012, primarily because we increased the use of shorter-term and lower-cost financial assets under repurchase agreements to improve liquidity. The average cost on such liabilities decreased from 4.93% in 2012 to 4.61% in 2013, primarily due to an increase in the proportion of overnight financial assets sold under repurchase agreements.

Interest Expense on Debt Securities Issued

Interest expenses on debt securities issued were RMB57.3 million, RMB29.5 million and RMB126.7 million for the years ended December 31, 2012, 2013 and 2014, respectively. In December 2007, we issued subordinated bonds in an aggregate principal amount of RMB500 million and we redeemed the bonds in full in December 2012. In September 2010, we issued subordinated bonds in an aggregate principal amount of RMB500 million. In January 2014, we issued redeemable tier 2 capital bonds in an aggregate principal amount of RMB1,500 million. See "— Indebtedness."

Interest Expense on Wealth Management Products Funds

Our interest expense on wealth management products funds increased by 1,941.3% to RMB608.3 million in 2014 from RMB29.8 million in 2013, due to an increase in the average balance as well as an increase in the average cost. The average balance of wealth management products funds increased by 1,601.3% to RMB10,860.8 million in 2014 from RMB638.4 million in 2013, primarily because, in line with the market trend, we strengthened our development and marketing of wealth management products, which led to an increase of wealth management products issued both in variety and in scale. The increase in the average cost on wealth management products funds to 5.60% in 2014 from 4.67% in 2013 was primarily because (i) we decided to offer higher returns on our wealth management products in response to intense market competition, and (ii) we increased the issuance of wealth management products with longer terms.

Interest expense on wealth management products funds increased by 96.1% to RMB29.8 million in 2013 from RMB 15.2 million in 2012, primarily due to an increase in the average balance. The average balance increased by 95.3% to RMB638.4 million in 2013 compared with RMB326.9 million in 2012, primarily because, in line with the market trend, we strengthened our development and marketing of wealth management products, which led to an increase of wealth management products issued in both variety and scale. The average costs remained relatively stable in 2012 and 2013.

Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets.

Our net interest spread increased to 2.43% in 2014 from 2.32% in 2013 and our net interest margin increased to 2.63% in 2014 from 2.52% in 2013, primarily due to increases in the average yield of both our loans and advances to customers and our investment securities and other financial assets.

Our net interest spread decreased to 2.32% in 2013 from 3.06% in 2012 and our net interest margin decreased to 2.52% in 2013 from 3.30% in 2012, primarily due to (i) the continued effect of the reduction of the benchmark lending rate by the PBOC in the second half of 2012, and (ii) an increase in the proportion of our medium- and long-term interest-bearing liabilities (which have higher cost) and short-term assets (which have lower yield) to manage liquidity and match assets and liabilities.

Net Fee and Commission Income

Net fee and commission income represented 2.8%, 1.9% and 2.0% of our total operating income for the years ended December 31, 2012, 2013 and 2014, respectively. The following table sets forth, for the years indicated, the principal components of our net fee and commission income.

	For the year ended December 31,		
	2012	**2013**	**2014**
	(in millions of RMB)		
Settlement and clearing fees	61.1	52.3	97.0
Agency service fees	6.2	7.6	20.8
Wealth management service fees	5.9	6.2	16.7
Bank card service fees	7.9	10.3	14.2
Underwriting and advisory fees	2.4	7.6	8.5
Trade financing service fees	36.6	0.6	0.5
Others[1]	2.9	15.9	25.4
Fee and commission income	**123.0**	**100.5**	**183.1**
Fee and commission expense	(26.2)	(25.2)	(66.8)
Net fee and commission income	**96.8**	**75.3**	**116.3**

Note:

(1) Primarily include loan commitment fees and beneficial interest transfer plan arrangement fees.

Our net fee and commission income increased by 54.4% to RMB116.3 million in 2014 compared to RMB75.3 million in 2013. This increase was primarily due to increases in our settlement and clearing fees and agency service fees. Our net fee and commission income decreased by 22.2% to RMB75.3 million in 2013 from RMB96.8 million in 2012, primarily due to decreases in our settlement and clearing fees and our trade financing service fees.

Settlement and Clearing Fees

Settlement fees increased by 85.5% to RMB97.0 million in 2014 compared to RMB52.3 million in 2013. The increase in settlement and clearing fees was primarily due to a growth in the volume of domestic settlement transactions in 2014. Settlement and clearing fees decreased by 14.4% to RMB52.3 million in 2013 from RMB61.1 million in 2012, primarily due to a decrease in fees earned on bank acceptance bills as a result of our reduction of off-balance sheet commitments.

Agency Service Fees

Agency service fee income increased by 22.6% to RMB7.6 million in 2013 from RMB6.2 million in 2012, and further increased by 173.7% to RMB20.8 million in 2014. These increases mainly resulted from our increased marketing efforts and the growth of our agency services both in type and in scale.

Wealth Management Service Fees

Wealth management service fee income increased by 5.1% to RMB6.2 million in 2013 from RMB5.9 million in 2012, and further increased by 169.4% to RMB16.7 million in 2014, primarily due to the growth of the scale of non-principal-guaranteed wealth management products sold to our customers due to our increased marketing efforts.

Bank Card Service Fees

Bank card service fee income increased by 30.4% from RMB7.9 million in 2012 to RMB10.3 million in 2013, and further increased by 37.9% to RMB14.2 million in 2014. The increases in bank card fee income from 2012 to 2014 were primarily due to (i) the continued increase in the number of bank cards issued by us, and (ii) the growth of the transaction volume of our bank cards.

Underwriting and Advisory Fees

Underwriting and advisory fee income increased by 216.7% to RMB7.6 million in 2013 from RMB2.4 million in 2012, and further increased by 11.8% to RMB8.5 million in 2014. These increases mainly resulted from the introduction and expansion of our financial advisory services.

Trade Financing Service Fees

Trade financing service fee income decreased by 98.4% to RMB0.6 million in 2013 from RMB36.6 million in 2012, and further decreased to RMB0.5 million in 2014, primarily because we decided to recognise RMB-denominated inter-bank payment service fees as interest income rather than trade financing fees since 2012.

Fee and Commission Expenses

Our fee and commission expenses increased by 165.1% to RMB66.8 million in 2014 compared to RMB25.2 million in 2013, primarily due to (i) an increase in volume of our fee- and commission-based business, and (ii) the addition of new branches and sub-branches in 2014.

Fee and commission expenses decreased by 3.8% to RMB25.2 million in 2013 from RMB26.2 million in 2012, primarily due to decreases in the fees paid in connection with our foreign exchange business and agency business.

Net Trading Gains/(Losses)

In 2014, we incurred a net trading gain of RMB0.5 million. In 2013, our net trading loss was RMB5.7 million. In 2012, we had a net trading gain of RMB24.9 million. The fluctuation of our net trading gains/(losses) was primarily due to volatility in the financial markets.

Dividend Income

Dividend income increased by 8.6% to RMB6.3 million in 2013 from RMB5.8 million in 2012, and further increased by 1.6% to RMB6.4 million in 2014, primarily due to increases in dividends from our equity investments including our investments in City Commercial Banks Settlement Centre* (城市商業銀行資金清算中心), Bank of Liaoyang Co., Ltd.* (遼陽銀行股份有限公司) and China UnionPay.

Net Gains/(Losses) arising from Investment Securities

In 2014, we generated a net gain arising from investment securities of RMB8.4 million. In 2013, we incurred a net loss arising from investment securities of RMB3.6 million. In 2012, we had a net gain of RMB60.8 million arising from investment securities. The fluctuation of our net gains/(losses) arising from investment securities was primarily due to volatility in the financial market.

Foreign Exchange Gain

Foreign exchange gain increased by 83.7% to RMB7.9 million in 2014 compared to RMB4.3 million in 2013, primarily due to an increase in the value of our assets denominated in foreign currencies as a result of the appreciation of the U.S. dollar against the RMB. Foreign exchange gain decreased by 67.2% to RMB4.3 million in 2013 from RMB13.1 million in 2012, primarily due to (i) fluctuations in foreign exchange rates, and (ii) a decrease in the volume of our foreign exchange services.

Other Operating Income

Other operating income increased by 10.8% to RMB26.7 million in 2014 compared to RMB24.1 million in 2013, primarily due to increases in our income from our disposal of certain properties and equipment. Other operating income decreased by 21.5% to RMB24.1 million in 2013 from RMB30.7 million in 2012, primarily due to decreases in government grants and income from our disposal of properties and equipment.

Operating Expenses

The following table sets forth, for the years indicated, the principal components of our total operating expenses.

	For the year ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Staff costs	707.4	836.5	963.6
General and administrative expenses	461.1	473.2	516.9
Business tax and surcharges	242.8	301.8	402.1
Depreciation and amortization	236.7	271.3	325.9
Other operating expenses	3.4	5.3	5.0
Total operating expenses	**1,651.4**	**1,888.1**	**2,213.5**

Our operating expenses increased by 14.3% to RMB1,888.1 million in 2013 from RMB1,651.4 million in 2012, and further increased by 17.2% to RMB2,213.5 million in 2014. Our operating expenses to total operating income ratio was 47.4%, 48.1% and 38.2% in 2012, 2013 and 2014, respectively. Our operating expenses as a percentage of our total operating income decreased in 2014 as compared to 2013, primarily due to the slower growth of our operating expenses than that of our operating income as we strengthened our cost control measures. Our operating expenses as a percentage of our total operating income increased in 2013 as compared to 2012, primarily due to increases in our staff costs and depreciation and amortization.

Staff Costs

Staff costs were the largest component of our operating expenses, representing 42.8%, 44.3% and 43.5% of our total operating expenses for the years ended December 31, 2012, 2013 and 2014, respectively. The following table sets forth, for the years indicated, the components of our staff costs.

	For the year ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Staff salaries and bonuses	479.9	572.0	668.8
Staff welfares	56.6	55.9	42.9
Pension	81.5	101.7	115.4
Housing allowances	31.5	43.4	52.8
Supplementary retirement benefits	1.5	1.5	1.5
Other staff welfares[1]	56.4	62.0	82.2
Total staff costs	**707.4**	**836.5**	**963.6**

Note:

(1) Consist primarily of labor union expenses, employee training expenses, employee medical expenses and other social and welfare expenses and other long term staff welfares.

Our staff costs increased from 2012 to 2014, primarily due to the addition of new branches and sub-branches and our overall business growth.

We have established defined benefits plans to provide supplementary retirement benefits and other long term staff welfares to our employees. For details of such plans, including the details of the most recent actuarial valuation and actuarial assumptions and method of such plans, see Notes 34(b) and 34(c) of the financial information in Appendix I — Accountants' Report.

General and Administrative Expenses

General and administrative expenses increased by 2.6% to RMB473.2 million in 2013 from RMB461.1 million in 2012, and further increased by 9.2% to RMB516.9 million in 2014, primarily due to (i) increases in rent and management expenses, shipping expenses of notes and coins and maintenance expenses as a result of the addition of new branches and sub-branches, and (ii) an increase in business promotion expenses as a result of our increasing marketing efforts.

Business Tax and Surcharges

Our business tax and surcharges increased by 24.3% from RMB242.8 million in 2012 to RMB301.8 million in 2013, and further increased by 33.2% to RMB402.1 million in 2014, primarily due to an increase in our taxable income.

Depreciation and Amortization

Depreciation and amortization increased by 14.6% to RMB271.3 million in 2013 from RMB236.7 million in 2012, and further increased by 20.1% to RMB325.9 million in 2014, primarily due to (i) increases in depreciation charges for the properties and equipment of new branches and sub-branches and amortization charges for the intangible assets in connection with our IT systems, and (ii) an increase in amortization of part of marketing expenses as a result of our business growth.

Impairment Losses on Assets

Impairment losses on assets increased by 188.8% to RMB793.4 million in 2014 compared to RMB274.7 million in 2013, primarily due to (i) the change in the quality of certain loans extended to customers in industries which were adversely affected by the general economic slow-down, (ii) our decision to proactively increase the level of allowance for impairment losses on loans in view of the macro economic condition in accordance with our prudent risk management policies, (iii) the increase in the scale of our loans and other investment assets, and (iv) our decision to start to recognize impairment loss on debt securities classified as receivables in 2014.

Impairment losses on assets decreased by 8.0% to RMB274.7 million in 2013 from RMB298.7 million in 2012, primarily reflecting (i) requirements of regulatory authorities on dynamic adjustments of provisions for losses on loans and advances to customers, and (ii) write-offs of non-performing loans in 2013. The following table sets forth, for the years indicated, the principal components of our provisions for impairment losses on assets.

	For the year ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Impairment losses on loans and advances to customers	298.6	273.2	706.3
Impairment losses on debt securities classified as receivables	—	—	78.3
Impairment losses on other assets [1]	0.1	1.5	8.8
Total impairment losses on assets	**298.7**	**274.7**	**793.4**

Note:

(1) Mainly include impairment losses on intangible assets and other receivables.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 14.5% to RMB1,759.3 million in 2013 from RMB1,536.0 million in 2012, and further increased by 58.5% to RMB2,787.7 million in 2014 from RMB1,759.3 million in 2013.

Income Tax Expense

The following table sets forth our profit before tax and the reconciliation between income tax expense based on the PRC statutory income tax rate and actual income tax expense for the years ended December 31, 2012, 2013 and 2014.

	For the year ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Profit before tax	**1,536.0**	**1,759.3**	**2,787.7**
Income tax expenses calculated at the PRC statutory tax rate	384.0	439.8	696.9
Non-deductible expenses[1]	8.6	7.5	9.2
Non-taxable income[2]	(28.0)	(43.5)	(41.6)
Total income tax expenses	**364.6**	**403.8**	**664.5**

Notes:

(1) Represent primarily non-deductible employee benefits and entertainment expenses, etc.

(2) Consists primarily of interest income from the PRC treasury bonds, which are exempted from income tax under the PRC tax regulations.

For the years ended December 31, 2012, 2013 and 2014, our effective income tax rate was 23.74%, 22.95% and 23.84%, respectively.

Net Profit

As a result of the foregoing factors, our net profit increased by 15.7% to RMB1,355.5 million in 2013 from RMB1,171.4 million in 2012, and further increased by 56.6% to RMB2,123.2 million in 2014.

SUMMARY OF SEGMENT RESULTS

Summary of Business Segments

We operate three principal lines of business, namely, corporate banking, retail banking and treasury business. For a description of products and services included in these business activities, see "Business — Our Principal Business Activities". The table below sets forth our operating income for each of our principal business segments for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
							(unaudited)			
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)									
Corporate banking[(1)]	2,383.6	68.4%	2,314.9	59.0%	2,807.6	48.5%	1,218.7	53.3%	1,783.0	38.1%
Retail banking[(2)]	704.5	20.2%	751.7	19.2%	869.3	15.0%	400.9	17.5%	471.1	10.1%
Treasury business[(3)]	367.3	10.5%	831.4	21.2%	2,090.9	36.1%	663.7	29.0%	2,415.9	51.6%
Others[(4)]	30.7	0.9%	24.1	0.6%	26.8	0.4%	3.6	0.2%	9.6	0.2%
Total operating income	**3,486.1**	**100.0%**	**3,922.1**	**100.0%**	**5,794.6**	**100.0%**	**2,286.9**	**100.0%**	**4,679.6**	**100.00%**

Our operating income for our treasury business as a percentage of our total operating income continued to increase for the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. Such increase was primarily due to (i) our decision to expand our treasury business, and (ii) the continuing increases in our investments in debt securities classified as receivables.

Notes:

(1) Represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, corporate wealth management services, consulting and advisory services, remittance and settlement services, custodian and guarantee services.

(2) Represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

(3) Covers our treasury operations. The treasury business primarily covers inter-bank money market transactions, repurchase transactions, derivatives business, precious metal business and investment accounts. It also covers management of our overall liquidity position, including the issuance of subordinated debt.

(4) Represents business other than corporate banking, personal banking and treasury operations, whose assets, liabilities, income and expenses cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

The table below sets forth, for the periods indicated, the operating results of each of our major business segments.

	For the six months ended June 30,				
	2015				
	Corporate banking	Retail banking	Treasury operation	Other businesses[1]	Total
	(in millions of RMB)				
External net interest income/(expense)[2]	1,993.5	(717.8)	3,166.3	—	4,442.0
Inter-segment interest (expense)/income[3]	(331.1)	1,163.7	(832.6)	—	—
Net interest income	1,662.4	445.9	2,333.7	—	4,442.0
Net fee and commission income/(expense)	107.8	25.2	(0.7)	—	132.3
Other net income[4]	12.8	0.0	82.9	9.6	105.3
Operating income	**1,783.0**	**471.1**	**2,415.9**	**9.6**	**4,679.6**
Operating expenses	(560.0)	(236.0)	(441.3)	(9.2)	(1,246.5)
Operating profit	**1,223.0**	**235.1**	**1,974.6**	**0.4**	**3,433.1**

	For the six months ended June 30,				
	2014				
	Corporate banking	Retail banking	Treasury operation	Other businesses[1]	Total
	(Unaudited) *(in millions of RMB)*				
External net interest income/(expense)[2]	1,385.3	(339.0)	1,173.4	—	2,219.7
Inter-segment interest (expense)/income[3]	(200.0)	711.1	(511.1)	—	—
Net interest income	1,185.3	372.1	662.3	—	2,219.7
Net fee and commission income	27.0	28.8	0.2	—	56.0
Other net income[4]	6.4	0.0	1.2	3.6	11.2
Operating income	**1,218.7**	**400.9**	**663.7**	**3.6**	**2,286.9**
Operating expenses	(511.6)	(99.6)	(370.9)	(1.2)	(983.3)
Operating profit	**707.1**	**301.3**	**292.8**	**2.4**	**1,303.6**

	For the year ended December 31, 2014				
	Corporate banking	Retail banking	Treasury operation	Other Businesses[1]	Total
	(in millions of RMB)				
External net interest income/(expense)[2]	4,425.5	(741.1)	1,944.0	–	5,628.4
Inter-segment interest (expense)/income[3]	(1,720.4)	1,587.4	133.0	–	–
Net interest income	2,705.1	846.3	2,077.0	–	5,628.4
Net fee and commission income	91.9	23.0	1.4	—	116.3
Other net income[4]	10.6	0.0	12.5	26.8	49.9
Operating income	**2,807.6**	**869.3**	**2,090.9**	**26.8**	**5,794.6**
Operating expenses	(1,056.7)	(450.0)	(699.9)	(6.9)	(2,213.5)
Operating profit	**1,750.9**	**419.3**	**1,391.0**	**19.9**	**3,581.1**

	For the year ended December 31, 2013				
	Corporate banking	Retail banking	Treasury operation	Other Businesses[1]	Total
	(in millions of RMB)				
External net interest income/(expense)[2]	3,940.5	(765.0)	645.9	—	3,821.4
Inter-segment interest (expense)/income[3]	(1,681.4)	1,491.7	189.7	—	—
Net interest income	2,259.1	726.7	835.6	—	3,821.4
Net fee and commission income	48.9	25.0	1.4	—	75.3
Other net income/(expense)[4]	6.9	0.0	(5.6)	24.1	25.4
Operating income	**2,314.9**	**751.7**	**831.4**	**24.1**	**3,922.1**
Operating expenses	(1,056.8)	(406.8)	(417.4)	(7.1)	(1,888.1)
Operating profit	**1,258.1**	**344.9**	**414.0**	**17.0**	**2,034.0**

	For the year ended December 31, 2012				
	Corporate banking	Retail banking	Treasury operation	Other Businesses[1]	Total
	(in millions of RMB)				
External net interest income/(expense)[2]	3,170.2	(642.0)	725.8	—	3,254.0
Inter-segment interest (expense)/income[3]	(870.9)	1,324.0	(453.1)	—	—
Net interest income	2,299.3	682.0	272.7	—	3,254.0
Net fee and commission income	71.9	22.5	2.4	—	96.8
Other net income[4]	12.4	0.0	92.2	30.7	135.3
Operating income	**2,383.6**	**704.5**	**367.3**	**30.7**	**3,486.1**
Operating expenses	(1,135.4)	(373.3)	(136.7)	(6.0)	(1,651.4)
Operating profit	**1,248.2**	**331.2**	**230.6**	**24.7**	**1,834.7**

Notes:

(1) Include rental income from property and equipment.

(2) Represents net interest income and expense from third parties.

(3) Represents internal charges and transfer pricing between segments.

(4) Include net trading income and net gains/(losses) on financial investments.

Summary of Geographical Segment Information

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branch that generates the income. Substantially all of our business is conducted in the PRC and we classify our business in the PRC into the following three major geographical regions:

- Jinzhou Region: our headquarters, Jinzhou branch, Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.* (錦州太和益民村鎮銀行股份有限公司), Liaoning Yixian Xianghe Village and Township Bank Co., Ltd.* (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮股份有限公司), and Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行股份有限公司);

- Other Northeastern Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch and Liaoyang branch; and

- Northern China Region: Beijing branch and Tianjin branch.

The table below sets forth the operating income attributable to each of our geographical segments for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
							(unaudited)			
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)									
Jinzhou Region	2,240.6	64.3%	2,312.3	59.0%	3,012.7	52.0%	1,164.0	50.9%	2,929.3	62.6%
Other Northeastern Region	722.5	20.7%	839.7	21.4%	1,247.7	21.5%	533.8	23.3%	666.1	14.2%
Northern China Region	523.0	15.0%	770.1	19.6%	1,534.2	26.5%	589.1	25.8%	1,084.2	23.2%
Total operating income	**3,486.1**	**100.0%**	**3,922.1**	**100.0%**	**5,794.6**	**100.0%**	**2,286.9**	**100%**	**4,679.6**	**100%**

Operating income from Jinzhou Region is the largest component of our operating income. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our operating income from Jinzhou Region accounted for 64.3%, 59.0%, 52.0%, 50.9% and 62.6%, respectively, of our total operating income. The proportion of our operating income from Jinzhou Region to our total operating income decreased from 2012 to 2014, primarily because we established additional new branches and sub-branches outside Jinzhou. The increase in operating income from Northern China Region as a percentage of our total operating income was primarily attributable to (i) our efforts to enhance cooperation with banks and customers in this region, and (ii) the strong economic growth in this region. The increase in operating income from Other Northeastern Region from 2012 to 2014 as a percentage of our total operating income was primarily due to (i) our further expansion in scale of established branches and sub-branches in this region, and (ii) the addition of new branches and sub-branches in this region. The proportion of our operating income from Jinzhou Region as a percentage of our total operating income increased during the first half of 2015, primarily because we have recorded, at our headquarter level, all income derived from the new inter-bank business transactions conducted since September 2014 throughout all of our branches and sub-branches, in compliance with the applicable CBRC requirements.

CASH FLOWS

The table below sets forth cash flows for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(in millions of RMB)		
Net cash flows (used in)/generated from operating activities	(231.0)	33,926.4	42,307.1	20,763.5	54,346.4
Net cash flows used in investing activities	(394.4)	(35,609.2)	(46,147.6)	(23,843.9)	(48,322.5)
Net cash flows from (used in)/generated from financing activities	(362.5)	(389.8)	2,938.7	1,542.3	(125.3)
Effect of foreign exchange rate changes on cash and cash equivalents	(0.3)	(5.8)	(2.5)	(2.1)	(4.0)
Net increase/(decrease) in cash and cash equivalents	(988.2)	(2,078.4)	(904.3)	(1,540.2)	5,894.6
Cash and cash equivalents at end of the year	7,467.8	5,389.4	4,485.1	3,849.2	10,379.7

Cash Flows from Operating Activities

Cash inflows from operating activities are primarily attributable to (i) the net increase in deposits from customers, (ii) the net increase in deposits from banks and other financial institutions, (iii) the net increase in financial assets sold under repurchase agreements, and (iv) the net increase in financial liabilities designated at fair value through profit or loss.

Cash outflows from our operating activities are primarily attributable to (i) net increase in loans and advances to customers, (ii) net increase in deposits with the central bank, banks and other financial institutions, and (iii) net increase in financial assets designated at fair value through profit or loss.

Net cash inflows from operating activities increased significantly from RMB20,763.5 million in the six months ended June 30, 2014 to RMB54,346.4 million in the six months ended June 30, 2015, primarily due to (i) net increase in deposits from customers, and (ii) net decrease in deposits with the central bank, banks and other financial institutions.

Net cash inflows from operating activities increased from RMB33,926.4 million in 2013 to RMB42,307.1 million in 2014, primarily due to (i) net increase in deposits from customers, and (ii) net increase in financial liabilities designated at fair value through profit or loss, the effect of which was partially offset by net increase in financial assets designated at fair value through profit or loss.

Net cash outflows from operating activities of RMB231.0 million were recorded in 2012 and net cash inflows from operating activities of RMB33,926.4 million were recorded in 2013, primarily due to net increase in deposits from banks and other financial institutions.

Cash Flows from Investing Activities

Cash inflows from our investing activities are primarily attributable to cash received from disposal and redemption of investments, proceeds from disposal of property and equipment and other assets. The cash received from disposal and redemption of investments for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 amounted to RMB20,427.1 million, RMB44,512.5 million, RMB82,426.9 million and RMB356,587.8 million, respectively.

Our cash outflows from investing activities are primarily attributable to cash paid for our investments. Our cash paid for investments for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 amounted to RMB20,127.7 million, RMB79,405.7 million, RMB127,258.3 million and RMB404,645.3 million, respectively.

Cash Flows from Financing Activities

Our cash inflows from financing activities are primarily attributable to cash proceeds from capital contribution, cash proceeds received from non-controlling shareholders by subsidiaries and proceeds from debt securities issued. Cash outflows from our financing activities are attributable to payment of interest and repayment of principal on subordinated bonds issued, and cash paid for the distribution of dividends on ordinary shares.

LIQUIDITY

We fund our loan and investment portfolios principally by deposits from our customers. Deposits from customers have been, and we believe will continue to be, a stable source of our funding. The amount of deposits from customers with remaining maturities of one year or less represented 87.5%, 77.8%, 80.9% and 71.5% of total deposits from customers as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Liquidity risk refers to the risk of being unable to finance funds or liquidate a position at a reasonable cost and in a timely manner to fund the performance of our debt obligations. We are exposed to liquidity risks primarily arising from funding our lending, trading and investment activities and from the risks associated with managing our current assets. Our objective in liquidity risk management is to comply with the relevant supervisory and regulatory requirements and to ensure that we are able to meet all our payment obligations and fund all of our investment operations and lending opportunities in a timely and cost-effective manner under all circumstances.

We manage our liquidity needs by monitoring the maturity profile of our assets and liabilities while actively monitoring various liquidity indicators, including liquidity ratios, ratios for surplus deposit reserves and inter-bank lending and borrowing ratios. In addition, we invest in a significant amount of liquid assets such as PRC government bonds, which gives us the flexibility to meet potential liquidity requirements on short notice or as required. If further liquidity requirements arise, we have access to the inter-bank money market.

The following table sets forth, as of June 30, 2015, the remaining maturities of our assets and liabilities:

	As of June 30, 2015							
	Repayable on demand	Up to one month	One month up to three months	Three months up to one year	One year up to five years	Over five years	Indefinite	Total
	(in millions of RMB)							
Assets								
Loans and advances to customers	637.9	3,442.1	9,119.6	40,514.0	34,631.7	1,050.4	1,173.5	90,569.2
Investment securities and other financial assets [(1)]	—	7,684.8	13,858.2	69,956.7	64,450.3	10,368.9	58.3	166,377.2
Placements with banks and other financial institutions	—	79.5	38.1	794.7	—	—	—	912.3
Cash and deposits with the central bank	4,988.7	—	—	—	—	—	25,717.3	30,706.0
Deposits with banks and other financial institutions	638.6	6,070.0	410.0	7,305.8	1,654.5	—	—	16,078.9
Other assets[(2)]	55.0	274.9	462.2	1,000.2	187.9	—	6,315.0	8,295.2
Total assets	**6,320.2**	**17,551.3**	**23,888.1**	**119,571.4**	**100,924.4**	**11,419.3**	**33,264.1**	**312,938.8**
Liabilities								
Deposits from customers	38,504.7	7,844.9	10,089.3	50,776.3	42,356.6	458.2	—	150,030.0
Deposits from banks and other financial institutions	1,059.8	12,700.0	12,245.5	51,654.8	29,380.5	—	—	107,040.6
Placements from banks and other financial institutions	—	2,755.1	1,752.0	193.1	—	—	—	4,700.2
Financial assets sold under repurchase agreements	—	11,561.9	—	—	—	—	—	11,561.9
Debt securities issued	—	—	500.0	—	1,500.0	—	—	2,000.0
Borrowings from the central bank	—	—	50.0	—	—	—	—	50.0
Other liabilities[(3)]	1,189.4	2,536.9	3,621.0	11,328.1	1,947.0	78.9	—	20,701.3
Total liabilities	**40,753.9**	**37,398.8**	**28,257.8**	**113,952.3**	**75,184.1**	**537.1**	**—**	**296,084.0**
Net liquidity	**(34,433.7)**	**(19,847.5)**	**(4,369.7)**	**5,619.1**	**25,740.3**	**10,882.2**	**33,264.1**	**16,854.8**

Notes:

(1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables.

(2) Include interests receivable, property and equipment, deferred tax assets and other assets.

(3) Include accrued staff costs, taxes payable, interests payable and other liabilities.

CAPITAL RESOURCES

Shareholders' Equity

Our total shareholders' equity increased from RMB11,197.1 million as of December 31, 2012 to RMB11,509.3 million as of December 31, 2013, and RMB15,877.1 million as of December 31, 2014 and further increased to RMB16,854.8 million as of June 30, 2015.

The following table sets forth, for the periods indicated, the components of the changes in our total equity.

	Shareholders' equity
	(in millions of RMB)
As of January 1, 2012	**9,592.0**
Share capital	130.0
Capital reserve	283.7
Surplus reserve	114.8
General reserve	632.4
Retained earnings	420.3
Non-controlling interests	23.9
As of December 31, 2012	**11,197.1**
Share capital	—
Capital reserve	(680.0)
Surplus reserve	132.7
General reserve	850.4
Retained earnings	(22.6)
Non-controlling interests	31.7
As of December 31, 2013	**11,509.3**
Share capital	500.0
Capital reserve	2,053.5
Surplus reserve	210.7
General reserve	960.3
Retained earnings	535.0
Non-controlling interests	108.3
As of December 31, 2014	**15,877.1**
Share capital	—
Capital reserve	70.2
Surplus reserve	—
General reserve	—
Retained earnings	905.9
Non-controlling interests	1.6
As of June 30, 2015	**16,854.8**

Capital Adequacy

We are subject to capital adequacy requirements as promulgated by the CBRC. Prior to January 1, 2013, our core capital, supplementary capital and risk-weighted assets were calculated in accordance with the Capital Adequacy Measures and other related regulatory rules in the PRC which required commercial banks in China to maintain a minimum core capital adequacy ratio of 4% and a capital adequacy ratio of 8%, and were based on our financial statements prepared in accordance with PRC GAAP. Since January 1, 2013, we have calculated and disclosed capital adequacy information in accordance with the New Capital Adequacy Measures. Pursuant to the requirements of the CBRC, commercial banks (other than systematically important banks) in the PRC are required to maintain (i) their capital adequacy ratio at or higher than 8.5%, 8.9% and 9.3% respectively, as of December 31, 2013, 2014 and 2015; (ii) their tier 1 capital adequacy ratio at or higher than 6.5%, 6.9% and 7.3%, respectively, as of December 31, 2013, 2014 and 2015; and (iii) their core tier 1 capital adequacy ratio at or higher than 5.5%, 5.9% and 6.3%, respectively, as of December 31, 2013, 2014 and 2015.

The following table sets forth certain information relating to our capital adequacy based on the Capital Adequacy Measures and other related regulatory rules in the PRC as of December 31, 2012:

	As of December 31, 2012
	(in millions of RMB, except percentages)
Basic components of capital	
Core capital:	
Share capital	3,902.2
Capital reserve	3,589.0
Surplus reserve and general reserve	1,807.4
Retained earnings	1,426.4
Non-controlling interests	78.8
Total core capital	**10,803.8**
Supplementary capital:	
General provisions for loan losses(1)	632.0
Long-term subordinated debts	500.0
Others	3.1
Total supplementary capital	**1,135.1**
Total capital base before deductions	**11,938.9**
Deductions:	
Unconsolidated equity investments	(50.3)
Others	(62.9)
Net capital	**11,825.7**
Risk-weighted assets:	82,471.3
Core capital adequacy ratio	**13.03%**
Capital adequacy ratio	**14.34%**

Note:

(1) Pursuant to the requirements of the Notice of the CBRC Office on Determination of the Calculation Standards of General Provisions for Loan Losses (《中國銀監會辦公廳關於明確貸款損失一般準備計算標準的通知》), effective from the second quarter of 2010, the general provisions for loan losses shall be included into the supplementary capital to a maximum of 1% of loan balance in the calculation of capital adequacy.

The following table sets forth, as of the dates indicated, certain information relating to our capital adequacy level, calculated based on the New Capital Adequacy Measures.

	As of December 31, 2013	As of December 31, 2014	As of June 30, 2014	As of June 30, 2015
			(unaudited)	
	(in millions of RMB, except percentages)			
Core Capital				
Share Capital	3,902.2	4,402.2	3,902.2	4,402.2
Qualifying portion of capital reserve	2,909.1	4,962.6	3,391.3	5,032.8
Surplus reserve	591.7	802.4	591.7	802.4
General reserve	2,198.8	3,159.1	2,198.8	3,159.1
Retained earnings	1,797.0	2,332.0	2,294.7	3,237.9
Qualifying portions of non-controlling interest	94.1	152.6	98.5	128.4
Total core tier 1 capital	**11,492.9**	**15,810.9**	**12,477.2**	**16,762.8**
Deductible items from core tier 1 capital:	(101.3)	(113.5)	(111.5)	(124.4)
Net core tier 1 capital	**11,391.6**	**15,697.4**	**12,365.7**	**16,638.4**
Other tier 1 capital[1]	1.9	2.8	2.1	5.3
Net tier 1 capital	**11,393.5**	**15,700.2**	**12,367.8**	**16,643.7**
Net tier 2 capital	1,316.3	3,281.4	2,740.6	4,475.2
Net capital base	**12,709.8**	**18,981.6**	**15,108.4**	**21,118.9**
Total risk-weighted assets	**116,692.2**	**181,710.8**	**136,858.8**	**236,774.7**
Core tier 1 capital adequacy ratio	**9.76%**	**8.64%**	**9.04%**	**7.03%**
Tier 1 capital adequacy ratio	**9.76%**	**8.64%**	**9.04%**	**7.03%**
Capital adequacy ratio	**10.89%**	**10.45%**	**11.04%**	**8.92%**

We closely monitor our capital adequacy indicators and seek to comply with the applicable regulatory requirements in respect of our capital adequacy. In order to ensure ongoing compliance with the applicable capital adequacy requirements, we may seek to implement one or more of the following measures: (i) raise equity capital through issuance of new shares, (ii) issue tier 2 capital bond, (iii) continue to improve our profitability which will in turn increase our retained earnings, and (iv) manage the growth of our risk weighted assets.

Note:

(1) Includes portion of non-controlling interests that may be included.

OFF-BALANCE SHEET COMMITMENTS

Our off-balance sheet commitments consist primarily of bank bill acceptances, letters of credit and guarantee, unused credit card limits, loan commitments, operating lease commitments and capital commitments. Bank bill acceptances comprise undertakings by us to pay bills of exchange issued by our customers. Letters of credit and guarantee are issued by us to guarantee the performance of our customers' contractual obligations to third parties. Loan commitments represent our commitments to extend credit.

The following table sets forth the contractual amounts of our off-balance sheet commitments at the dates indicated.

	As of December 31,			As of June 30,
	2012	**2013**	**2014**	**2015**
	(in millions of RMB)			
Credit commitment:				
Acceptances	19,257.1	26,624.3	33,369.5	52,199.6
Letters of credit	3,018.9	6,601.8	479.0	681.2
Credit card commitments	158.5	343.7	436.0	464.8
Letters of guarantee	78.4	116.4	1,782.9	5,269.0
Loan commitments	1,866.4	1,633.0	1,360.3	1,494.9
Subtotal	**24,379.3**	**35,319.2**	**37,427.7**	**60,109.5**
Operating lease commitments	354.8	458.3	434.0	395.4
Capital commitments	37.7	161.9	218.8	113.0
Total	**24,771.8**	**35,939.4**	**38,080.5**	**60,617.9**

The following table sets forth, as of June 30, 2015, the face value of our off-balance sheet commitments by the remaining contract maturity.

	As of June 30, 2015			
	Up to one year	**One year up to five years**	**Over five years**	**Total**
	(in millions of RMB)			
Credit commitments:				
Acceptances	52,199.6	—	—	52,199.6
Letters of credit	681.2	—	—	681.2
Credit card commitments	464.8	—	—	464.8
Letters of guarantee	3,474.7	1,794.3	—	5,269.0
Loan commitments	1,494.9	—	—	1,494.9
Subtotal	**58,315.2**	**1,794.3**	**—**	**60,109.5**
Operating lease commitments	42.0	282.7	70.7	395.4
Capital commitments	85.2	27.8	—	113.0
Total	**58,442.4**	**2,104.8**	**70.7**	**60,617.9**

As of June 30, 2015 and the Latest Practicable Date, we had a total balance of US$82.0 million of credit commitment through the issuance of a letter of guarantee to one particular group borrower (the "**Relevant Group Borrower**"), who was subject to negative media reports on its business and financial position. The said letter of guarantee was secured by way of security deposits provided by the Relevant Group Borrower in the amount of RMB508.4 million and RMB528.4 million, as of June 30, 2015 and the Latest Practicable Date, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with certain related parties of our Bank. Such transactions include taking deposits from, and extension of credit facilities and provision of other banking services to the relevant related parties. See Note 46 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favorable to our Group than terms available to independent third parties and were fair and reasonable and in the interest of our shareholders as a whole.

INDEBTEDNESS

As of September 30, 2015 (being the latest practicable date for the purpose of this indebtedness statement) we had the following indebtedness:

- Fixed rate tier 2 capital debts of RMB1,500 million with a term of ten years was issued on January 24, 2014. Our Group has an option to redeem the debts on January 28, 2019 at the nominal amount;

- Deposits from customers, borrowing from the central bank, deposits and placements from banks and other financial institutions, financial liabilities at fair value through profit or loss and financial assets sold under repurchase agreements that arose from the normal course of our banking business; and

- Loan commitments, acceptances, letters of credit and letters of guarantee issued, other commitments and contingencies (including pending litigation) that arose from the normal course of banking business carried out by our Group.

Except as disclosed above, we did not have, as of September 30, 2015, any material and outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of our Group since September 30, 2015 and up to the date of this prospectus.

Our Bank has also applied to the relevant authority for approval of our plan to issue tier 2 capital bonds in the aggregate principal amount of RMB2.5 billion for a term of ten years. As of the Latest Practicable Date, we had not yet received the above approval. Other than as disclosed above, we do not expect to raise material external debt financing in the near future based on our current business plan.

CAPITAL EXPENDITURES

Our capital expenditures for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015 were RMB785.2 million, RMB782.3 million, RMB1,339.4 million and RMB298.0 million.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information requires us to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. We consistently adopted these estimates during the Track Record Period, and we currently do not expect any significant changes of these estimates and assumptions in the foreseeable future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment losses on loans and advances and debt securities classified as receivables

We determine periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and debt securities classified as receivables. If any such evidence exists, we will assess the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement of our management on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment losses of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale and held-to-maturity investments, we assess periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement of our management, which would affect the amount of impairment losses.

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by our Group make maximum use of market input and rely as little as possible on our Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations, require management's estimates. We review the above estimations and assumptions periodically and make adjustment if necessary.

The classification of the held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if we have the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, our management makes significant judgements. Failure in correctly assessing our intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. We carefully evaluate the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, our management's judgement is required to assess the probability of future taxable profits. Our management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

Depreciation and amortization

Investment properties, property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

Determination of control over investees

We act as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the we control such a structured entity usually focuses on the assessment of the aggregate economic interests of our Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by our Group, our Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, we have concluded that we act as agent as opposed to principal for the investors in all cases, and therefore have not consolidated these structured entities.

Defined benefits plans

We have established liabilities in connection with supplementary retirement benefits and other long term benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, mortality rates, demission rates and other factors. Our management has made significant estimates when made these assumptions. The changes in assumptions may affect our Group's expense related to its employee defined benefit obligations.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk that values of our assets and liabilities or net income will be adversely affected by changes in market conditions. It mainly includes interest rate risk and foreign exchange risk. Such risks may arise from movements in market variables such as interest rates, foreign exchange rate, share price fluctuation and other market changes that affect risk-sensitive market instruments.

Interest Rate Risk

Our interest rate risk primarily arises from mismatches between the repricing periods of interest-earning assets, interest-bearing liabilities and off-balance sheet items. We are also subject to trading interest rate risk arising from our treasury's investment portfolio. We assess the interest rate risks through sensitivity analysis and manage the interest rate risks by adjusting the maturity structure of our assets and liabilities from time to time.

Interest Rate Repricing Analysis

The following table sets forth the results of our gap analysis as of June 30, 2015, based on the earlier of (i) the next expected repricing dates, and (ii) the final maturity dates for our assets and liabilities.

	As of June 30, 2015					
	Up to three months	Three months up to one year	One year up to five years	Over five years	Non-interest bearing	Total
	(in millions of RMB, except for percentages)					
Assets:						
Loans and advances to customers	28,161.9	31,812.4	29,200.4	1,394.5	—	90,569.2
Investment securities and other financial assets[1]	21,820.9	70,321.9	63,861.5	10,314.6	58.3	166,377.2
Cash and deposits with the central bank	30,212.9	—	—	—	493.1	30,706.0
Deposits with banks and other financial institutions	7,118.6	7,305.8	1,654.5	—	—	16,078.9
Placements with banks and other financial institutions	117.6	794.7	—	—	—	912.3
Other assets[2]	15.8	—	—	—	8,279.4	8,295.2
Total	**87,447.7**	**110,234.8**	**94,716.4**	**11,709.1**	**8,830.8**	**312,938.8**
Liabilities:						
Deposits from customers	56,361.3	50,776.3	42,356.6	458.2	77.6	150,030.0
Deposits from banks and other financial institutions	26,005.3	51,654.8	29,380.5	—	—	107,040.6
Placements from banks and other financial institutions	4,507.1	193.1	—	—	—	4,700.2
Financial assets sold under repurchase agreements	11,561.9	—	—	—	—	11,561.9
Debts securities issued	500.0	—	1,500.0	—	—	2,000.0
Borrowing from the central bank	50.0	—	—	—	—	50.0
Other liabilities[3]	4,566.5	10,089.8	—	—	6,045.0	20,701.3
Total	**103,552.1**	**112,714.0**	**73,237.1**	**458.2**	**6,122.6**	**296,084.0**
Interest rate sensitivity gap	**(16,104.4)**	**(2,479.2)**	**21,479.3**	**11,250.9**	**2,708.2**	**16,854.8**

Notes:

(1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables.

(2) Include interests receivable, property and equipment, deferred tax assets and others.

(3) Include accrued staff costs, taxes payable, interests payable and others.

Sensitivity Analysis

We use sensitivity analysis to measure the impact of changes in interest rates on our net profit and equity. The following table sets forth, at the dates indicated, the results of our interest rate sensitivity analysis based on our assets and liabilities.

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity
	(in millions of RMB)							
100 basis points increase	29.5	(191.7)	(64.6)	(489.8)	(102.5)	(533.5)	(138.2)	(550.8)
100 basis points decrease	(18.6)	217.8	79.7	534.7	102.6	561.8	138.2	568.6

Based on our assets and liabilities as of June 30, 2015, if interest rates increase by 100 basis points instantaneously, our net profit and equity for the year following June 30, 2015 would decrease by RMB138.2 million and decrease by RMB550.8 million, respectively. If interest rates decrease by 100 basis points instantaneously, our net profit and equity immediately following June 30, 2015 would increase by RMB138.2 million and increase RMB568.6 million, respectively.

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis measures only the impact of changes in the interest rates within a year, as reflected by the repricing of our assets and liabilities within a year, on our interest income and other comprehensive income, and is based on the assumptions that there are no other changes to the portfolio. Actual changes in our net interest income and other comprehensive income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Exchange Rate Risk

We are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows. Our exchange rate risk primarily arises from currency mismatches in our assets and liabilities. We monitor our net currency positions to assess our exposure to exchange rate risk. We manage our exchange rate risk primarily by seeking to match our assets and liabilities on a currency-by-currency basis.

The table below sets forth our financial assets and liabilities by currency as of June 30, 2015.

	As of June 30, 2015			
	RMB	USD (RMB equivalent)	Other foreign currencies (RMB equivalent)	Total
	(in millions of RMB)			
Assets				
Loans and advances to customers	84,737.2	5,817.5	14.5	90,569.2
Cash and deposits with the central bank	30,517.6	187.0	1.4	30,706.0
Deposits with banks and other financial institutions	15,783.2	273.0	22.7	16,078.9
Placements with banks and other financial institutions	—	904.8	7.5	912.3
Interests receivable	1,742.5	24.6	—	1,767.1
Other assets	172,481.1	424.2	—	172,905.3
Total	**305,261.6**	**7,631.1**	**46.1**	**312,938.8**
Liabilities				
Deposits from customers	147,349.1	2,673.7	7.2	150,030.0
Deposits from banks and other financial institutions	107,040.6	—	—	107,040.6
Placements from banks and other financial institutions	—	4,676.7	23.5	4,700.2
Interests payable	4,434.0	54.2	0.1	4,488.3
Other liabilities	29,810.3	1.1	13.5	29,824.9
Total	**288,634.0**	**7,405.7**	**44.3**	**296,084.0**
Net position of assets and liabilities	**16,627.6**	**225.4**	**1.8**	**16,854.8**
Off-balance sheet credit commitments	**58,042.3**	**2,050.6**	**16.6**	**60,109.5**

Sensitivity Analysis

The following table sets forth, as of the dates indicated, the impact of an annual 1% depreciation of the U.S. dollar against RMB on our net profit and equity. If the U.S. dollar appreciates against RMB by the same percentage, it would have the opposite impact on our net profit and equity by the same amount. The affected amounts disclosed in the following table are on the assumption that our foreign exchange exposures remain unchanged at the end of the year and have not taken into consideration the measures we may take to eliminate the adverse impact of foreign exchange exposures on our profits.

	As of 31 December						As of June 30,	
	2012		2013		2014		2015	
	Changes in net profit	Changes in shareholders' equity	Changes in net profit	Changes in shareholders' equity	Changes in net profit	Changes in shareholders' equity	Changes in net profit	Changes in shareholders' equity
	(in millions of RMB)							
USD	(0.16)	(0.16)	(0.20)	(0.20)	(0.32)	(0.32)	(0.28)	(0.28)

RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DIVIDEND POLICY

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board deems relevant. Under the PRC Company Law and our Articles of Association, all of our shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC law, we may only pay dividends out of our distributable profit. Our distributable profits represent the sum of the consolidated net profit attributable to our equity holders and the net profit of our Bank for a period, whichever is lower, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP or IFRS, whichever is lower, less:

- appropriations we are required to make to the statutory surplus reserve, which is currently 10% of our profit after tax as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;
- a regulatory general reserve we are required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders in an annual general meeting.

According to MOF regulations, since July 1, 2012, in principle, we are required to maintain a regulatory general reserve of no less than 1.5% of the ending balance of our net profits after tax. This regulatory general reserve constitutes part of our equity.

Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, we generally do not pay any dividends in a year in which we do not have any distributable profit in respect of that year. The payment of any dividend by us must also be approved at a shareholders' general meeting. We are prohibited from making any profit distributions to our shareholders before recovering our accumulated losses and making appropriations to the statutory surplus reserve and the general reserve. If we make any profit distributions in violation of these rules, our shareholders are required to return to us the amounts they received in such profit distributions.

Pursuant to the New Capital Adequacy Measures which took effect from January 1, 2013, for Grade IV commercial banks which fail to meet the minimum capital requirements on capital adequacy ratio, tier 1 capital adequacy ratio or core tier 1 capital adequacy ratio, and for Grade III commercial banks which meet the above minimum capital requirements but fail to meet other minimum capital requirements, the CBRC has the discretionary right to restrict distribution of dividends and other incomes from banks. See "Supervision and Regulation — Supervision Over Capital Adequacy — CBRC's Supervision of Capital Adequacy". As of December 31, 2014, we had a capital adequacy ratio of 10.45%, a tier 1 capital adequacy ratio of 8.64% and a core tier 1 capital adequacy ratio of 8.64%. As of June 30, 2015, our capital adequacy ratio, tier 1 capital adequacy ratio, and core tier 1 capital adequacy ratio are 8.92%, 7.03% and 7.03%, respectively.

In April 2013, we declared dividends in the amount of RMB390.2 million for the year ended December 31, 2012. In June 2014, we declared dividends in the amount of RMB409.7 million for the year ended December 31, 2013. The dividends declared for the years ended December 31, 2012 and 2013 were paid in full in October 2013 and December 2014, respectively. In June 2015, we declared dividends in the amount of RMB528.3 million for the year ended December 31, 2014 (the "**2014 Dividends**"). As of the Latest Practicable Date, such dividends have not yet been paid. Subject to the completion of the necessary regulatory procedures, we expect to complete the payment of such dividends by the end of 2015 using our internal funds. For the avoidance of doubt, the 2014 Dividends will not be paid to any new shareholders after listing. Dividends paid in prior periods may not be indicative of future dividend payments. We currently do not have any dividend policy as to the expected dividend payout ratio. We cannot guarantee when, if and in what form or size dividends will be paid in the future. Pursuant to the Resolution on Accumulated Undistributed Profits' Distribution Proposal of Bank of Jinzhou Co., Ltd. (《錦州銀行股份有限公司關於滾存未分配利潤分配方案的議案》) approved in the extraordinary general meeting of our Bank held in October 2014, any distributable profits accrued before listing will be shared by the existing shareholders and new shareholders after listing.

LISTING EXPENSES

The estimated total listing expenses in relation to the Global Offering are estimated to be approximately RMB210.3 million, of which RMB173.9 million is expected to be capitalised upon listing. During the Track Record Period, we incurred listing expenses of approximately RMB27.3 million, of which RMB8.3 million was recognized as expenses in our consolidated statement of profit or loss and other comprehensive income. We expect to incur additional listing expenses (including underwriting commission) of approximately RMB183.0 million, of which RMB28.1 million is expected to be recognized as expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2015 and RMB154.9 million is expected to be recognized as a deduction in equity directly. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2015.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group as of June 30, 2015, as if the Global Offering had taken place on June 30, 2015.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2015 or at any future date:

	Consolidated net tangible assets as of June 30, 2015[(1)]	Estimated net proceeds from the Global Offering[(2)(5)]	Unaudited pro forma adjusted consolidated net tangible assets[(3)]	Unaudited pro forma adjusted consolidated net tangible assets per share[(4)(5)]	
	RMB million	*RMB million*	*RMB million*	*RMB*	*HK$*
Based on the Offer Price of HK$4.64 per Offer Share	16,510.0	4,387.8	20,897.8	3.73	4.55
Based on the Offer Price of HK$5.54 per Offer Share........	16,510.0	5,247.9	21,757.9	3.88	4.74

Notes:

(1) The consolidated net tangible assets attributable to shareholders of our Bank as of June 30, 2015 are based on the consolidated net assets attributable to shareholders of our Bank of RMB16,634.4 million less intangible assets of RMB124.4 million as of June 30, 2015.

(2) The estimated net proceeds from the Global Offering for the purpose of unaudited pro forma adjusted consolidated net tangible assets are based on the Offer Price of HK$4.64 (being the low-end of the proposed Offer Price range) and HK$5.54 per H Share (being the high-end of the proposed Offer Price range) and the assumption that there are 1,200,000,000 newly issued H Shares in the Global Offering, after deduction of the underwriting fees payable by us and the listing expenses expected to be capitalised upon listing and taking no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets do not take into account the financial results or other transactions of our Bank subsequent to June 30, 2015.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share are arrived on the basis of 5,602,233,866 shares in issue assuming that the Global Offering has been completed on June 30, 2015 and that the Over-allotment Option is not exercised.

(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets per share are translated into Renminbi at the rate of RMB0.8193 to HK$1.00, the exchange rate set by the PBOC prevailing on October 30, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2015 up to the date of this prospectus.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of part A of Appendix IA of the Listing Rules require this prospectus to include a statement by our Directors that, in their opinion, the working capital available to our Group is sufficient or, if not, how it is proposed to provide the additional working capital our directors deem to be necessary. We are of the view that the traditional concept of "working capital" does not apply to banking businesses such as ours. We are regulated in the PRC by, among others, the PBOC and the CBRC. These regulatory authorities impose minimum capital adequacy and working capital requirements on commercial banks operating in the PRC. Rule 8.21A(2) of the Listing Rules provides that such a working capital statement will not be required to be made by an issuer whose business is entirely or substantially that of the provision of financial services, provided that the Hong Kong Stock Exchange is satisfied that the inclusion of such a statement would not provide significant information for investors and the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body. In view of the above, pursuant to Rule 8.21A(2) of the Listing Rules, we are not required to include a working capital statement from our Directors in this prospectus.

FUTURE PLANS

See "Business — Strategies" of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$4.64, being the low-end of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering accruing to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to be approximately HK$5,311.3 million, if the Over-allotment Option is not exercised; or approximately HK$6,146.5 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$5.09, being the mid-point of the proposed Offer Price range of HK$4.64 to HK$5.54, we estimate that the net proceeds of the Global Offering accruing to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to be approximately HK$5,851.3 million, if the Over-allotment Option is not exercised; or to be approximately HK$6,767.5 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$5.54, being the high-end of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering accruing to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to be approximately HK$6,391.3 million, if the Over-allotment Option is not exercised; or to be approximately HK$7,388.5 million, if the Over-allotment Option is exercised in full.

We intend to use the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business.

We estimate that the net proceeds from the sale of Sale Shares by the Selling Shareholders pursuant to the Global Offering (after deduction of estimated expenses payable by the Selling Shareholders in relation to the Global Offering), to be:

- approximately HK$556.8 million, if the Over-allotment Option is not exercised, or approximately HK$640.3 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$4.64, being the low-end of the proposed Offer Price range;

- approximately HK$610.8 million, if the Over-allotment Option is not exercised, or approximately HK$702.4 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$5.09, being the mid-point of the proposed Offer Price range; and

- approximately HK$664.8 million, if the Over-allotment Option is not exercised, or approximately HK$764.5 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$5.54, being the high-end of the proposed Offer Price range.

In each of the above scenarios, we will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering. See "Structure of the Global Offering — The Selling Shareholders".

THE CORNERSTONE PLACING AND CORNERSTONE INVESTOR

We and CCB International have entered into a cornerstone investment agreement with, among others, Hong Kong Tian Yuan Manganese International Trade Co., Limited (香港天元錳業國際貿易有限公司) ("**Tian Yuan**" or the "**Cornerstone Investor**"), pursuant to which Tian Yuan agreed to subscribe for 200,000,000 H Shares in the International Offering at the Offer Price (the "**Cornerstone Placing**"), which would represent approximately (i) 15.15% of the total number of the Offer Shares and 3.57% of the total shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, and (ii) 13.18% of the total number of the Offer Shares and 3.46% of the total shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. The number of H Shares to be subscribed by Tian Yuan should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

Assuming an Offer Price of HK$4.64, being the low-end of the proposed Offer Price range set out in this prospectus, Tian Yuan's subscription will amount to HK$928 million (exclusive of brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee). Assuming an Offer Price of HK$5.09, being the mid-point of the proposed Offer Price range set out in this prospectus, Tian Yuan's subscription will amount to HK$1,018 million (exclusive of brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee). Assuming an Offer Price of HK$5.54, being the high-end of the proposed Offer Price range set out in this prospectus, Tian Yuan's subscription will amount to HK$1,108 million (exclusive of brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee).

Tian Yuan is a company incorporated under the laws of Hong Kong in March 2013. It is wholly-owned by Ningxia Tian Yuan Manganese Co., Ltd.* (寧夏天元錳業有限公司) ("**Ningxia Tian Yuan**"), a limited liability company incorporated in the PRC, which is ultimately controlled by a PRC individual. The business scope of Tian Yuan and Ningxia Tian Yuan includes research and development, production, import and export of iron ore and other materials.

The Cornerstone Placing will form part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Bank. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than as pursuant to the cornerstone investment agreement). Upon the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Bank and it will not become our substantial shareholder (as defined under the Listing Rules). The Cornerstone Investor does not have any preferential rights compared with other public shareholders pursuant to the cornerstone investment agreement. The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering — The Hong Kong Public Offering".

To the best knowledge of our Bank, the Cornerstone Investor is an independent third party, independent of our connected persons and their respective associates.

Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be published on or around December 4, 2015.

Conditions Precedent

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Purchase Agreement being entered into by, inter alia, our Bank and the Sole Sponsor and having become unconditional and not having been terminated by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Purchase Agreement in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties;

(2) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares and that such approval or permission having not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(3) the respective representations, warranties, undertakings and acknowledgements of the Cornerstone Investor under the cornerstone investment agreement are and will be accurate and true in all material respects and not misleading in any material respect, and that there being no material breach of the relevant cornerstone investment agreements on the part of the Cornerstone Investor; and

(4) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting the consummation of such transactions.

Restrictions on the Cornerstone Investor's Investment

The Cornerstone Investor has agreed and has undertaken to our Bank and the Sole Sponsor that, without the prior written consent of the Bank and the Sole Sponsor, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any shares purchased by it and any shares or other securities of our Bank which are derived from such shares pursuant to any rights issue, capitalization issue or other form of capital reorganization (whether such transactions are to be settled in cash or otherwise) and any interest from such shares or securities, or agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of such shares, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary gives a written undertaking agreeing to, and such Cornerstone Investor gives a written underwriting agreeing to procure that such wholly-owned subsidiary shall, be bound by the Cornerstone Investor's obligations under the cornerstone investment agreement.

HONG KONG UNDERWRITERS

CCB International Capital Limited
Barclays Bank PLC, Hong Kong Branch
China Securities (International) Corporate Finance Company Limited
CMB International Capital Limited
ABCI Securities Company Limited
Convoy Investment Services Limited
RHB Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Monday, November 23, 2015.

Pursuant to the Hong Kong Public Offering, our Bank is initially offering 132,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

(a) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued and sold as mentioned in this prospectus (including any additional H Shares which may be issued and sold pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus and the Application Forms. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, by written notice to our Bank, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international state of emergency or war, calamity, crisis, outbreak of epidemic, pandemic or disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder (whether or not as a result of civil disobedience campaigns such as Occupy Central in Hong Kong), acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United Kingdom, the United States, the European Union or Singapore (each a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(v) any new Law (as defined in the Hong Kong Underwriting Agreement), or any change or any development involving a prospective change in (or in the interpretation or application by any court or other competent Authority (as defined in the Hong Kong Underwriting Agreement) of existing Laws (as defined in the Hong Kong Underwriting Agreement), in each case, in or affecting any Relevant Jurisdiction; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the HK dollar or the Renminbi against any foreign currencies) in any Relevant Jurisdiction adversely affecting the investments in the H Shares; or

(viii) the chairman or the executive vice president of our Bank or any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman or the executive vice president of our Bank or any executive Director vacating his or her office; or

(x) an Authority (as defined in the Hong Kong Underwriting Agreement) or a political body or organisation in any Relevant Jurisdiction announcing an intention to investigate or commencing any investigation or take other action or announcing an intention to take other action (including disciplinary actions and proceedings in relation to corruption, bribery, misappropriation of assets, money laundering) against any member of our Group, or the chairman, or the executive vice president of our Bank or any executive Director; or

(xi) a contravention by any member of our Group, or the chairman, or the executive vice president of our Bank, or any executive Director of the Listing Rules or applicable Laws (as defined in the Hong Kong Underwriting Agreement); or

(xii) a prohibition on our Bank for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the H Shares to be issued or sold pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus or any other documents used in connection with the contemplated offer and sale of the H Shares (collectively, the "**Relevant Documents**") or any aspect of the Global Offering with the Listing Rules or any other Laws (as defined in the Hong Kong Underwriting Agreement) applicable to the Relevant Documents and the Global Offering; or

(xiv) the issue or requirement to issue by our Bank of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(xv) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xvi) a significant portion of the investment commitments by the cornerstone investor after signing of agreement with such cornerstone investor, have been withdrawn, terminated or cancelled; or

(xvii) any change or prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators:

(A) has or will have or is likely to have a material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, properties, results of operations, position or condition, financial or otherwise, or performance of our Group (a "**Material Adverse Change**"); or

(B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the H Shares in the secondary market; or

(C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(D) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators or the Sole Sponsor:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incomplete, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in this prospectus, the Application Forms and the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or, where appropriate, based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon our Bank and the Selling Shareholders under the Hong Kong Underwriting Agreement or the International Purchase Agreement; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of our Bank pursuant to the indemnities under the Hong Kong Underwriting Agreement; or

(v) any Material Adverse Change; or

(vi) any breach of, or any event or circumstance rendering untrue or incomplete or incorrect or misleading in any respect, any of the warranties given in the Hong Kong Underwriting Agreement; or

(vii) any material litigation or claim of any third party being announced, threatened or instigated against any member of our Group or the chairman or the executive vice president or any of the executive Directors of our Bank; or

(viii) our Bank withdraws this prospectus, the Application Forms, the formal notice and/or any other documents issued or used in connection with the Global Offering; or

(ix) any expert withdraws its consent to being named in this prospectus or to the issue of this prospectus, in which it is named with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings by our Bank to the Hong Kong Stock Exchange pursuant to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or our securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering (including the Over-allotment Option) or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Bank pursuant to the Hong Kong Underwriting Agreement

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the "**First Six-Month Period**"), our Bank undertakes to the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Sole Sponsor not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or other securities of our Bank or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Bank), or deposit any H Shares or other securities of our Bank with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our Bank or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Bank); or

(iii) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in described in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of H Shares or other securities of our Bank, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**"), our Bank enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Bank shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Bank.

Hong Kong Underwriters' interests in our Bank

Save for their obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any shares or securities in our Bank or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Bank or any other member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Purchase Agreement.

International Offering

International Purchase Agreement

In connection with the International Offering, we expect to enter into the International Purchase Agreement with the Selling Shareholders and International Purchasers. Under the International Purchase Agreement, the International Purchasers would, subject to certain conditions, severally agree to purchase the International Offer Shares or procure subscribers or purchasers for the International Offer Shares initially being offered pursuant to the International Offering. Please see the section entitled "Structure of the Global Offering — The International Offering" in this prospectus for further details.

Under the International Purchase Agreement, we, together with the Selling Shareholders, intend to grant to the International Purchasers the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Joint Global Coordinators on behalf of the International Purchasers from the date of the International Purchase Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 198,000,000 additional H Shares, representing 15% of the number of Offer Shares initially available under the Global Offering at the Offer Price to, amongst other things, cover over-allocations in the International Offering, if any.

Total commission and expenses and sponsor's fee

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, if any, the International Purchasers will be paid an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Purchasers, but not the Hong Kong Underwriters. Additionally, the sponsor's fees payable by our Bank to the Sole Sponsor are US$1.5 million in aggregate.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering are estimated to be approximately HK$168.0 million (assuming no exercise of the Over-allotment Option and an Offer Price of HK$5.09 per H Share, being the mid-point of the stated range of the Offer Price between HK$4.64 and HK$5.54 per H Share).

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, December 7, 2015, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence on Monday, December 7, 2015. The H Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots size of 1,000 H Shares each.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 132,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "— The Hong Kong Public Offering"; and

(b) the International Offering of an aggregate of 1,188,000,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 23.56% of the enlarged issued share capital of our Bank immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 26.26% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section entitled "— Over-allotment and Stabilization" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Purchasers are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering have been obtained.

The number of H Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the subsection headed "— The Hong Kong Public Offering — Reallocation."

PRICING AND ALLOCATION

Determining the Offer Price

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, November 30, 2015 and, in any event, not later than Thursday, December 3, 2015. The Offer Price will be not more than HK$5.54 and is currently expected not to be less than HK$4.64, unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, for any reason, the Offer Price is not agreed by Thursday, December 3, 2015 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), the Global Offering will not proceed and will lapse.

Reduction in Offer Price Range and/or Number of Offer Shares

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process in respect of the International Offering, and with the prior written consent of our Bank, reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such notice will also be available at the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Bank at **www.jinzhoubank.com**.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) will be fixed within such revised Offer Price range. In this notice, we will also confirm or revise, as appropriate, the offering statistics, the use of proceeds as currently disclosed in "Summary" and "Future Plans and Use of Proceeds" of this prospectus and any other financial information which may change as a result of such reduction.

If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Pubic Offering will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked by the Joint Global Coordinators (for themselves and on the behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders).

If we do not publish a notice in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), will be within the indicative Offer Price range as stated in this prospectus.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the level of applications and the basis of allocation of the Hong Kong Offer Shares, on Friday, December 4, 2015.

Allocation

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it expects that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of our Offer Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Bank and our shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Offer Price and Basis of Allocations

The Offer Price is expected to be announced on Friday, December 4, 2015, and the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Friday, December 4, 2015, in both cases in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Offer Shares to be issued and sold pursuant to the Global Offering (including any Offer Shares which may be issued and sold pursuant to the exercise of the Over-allotment Option);

- the Offer Price having been duly agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders);

- the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and

- the obligations of the underwriters under both the Hong Kong Underwriting Agreement and the International Purchase Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will not proceed and will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the website of our Bank at **www.jinzhoubank.com** on the next business day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies". In the meantime, the application monies will be held in separate bank accounts with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance.

Share certificates for the Offer Shares are expected to be issued on Friday, December 4, 2015, but will only become valid certificates of title at 8:00 a.m. on Monday, December 7, 2015, provided (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 132,000,000 Offer Shares at the Offer Price, representing 10% of the 1,320,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 2.36% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK$5 million or less; and

- Pool B: The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of more than HK$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 66,000,000 Offer Shares will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering when certain prescribed total demand levels are reached.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment under the Listing Rules. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 396,000,000, 528,000,000 and 660,000,000 Offer Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be allocated to pool A and pool B. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if the International Offering is not fully subscribed for, the Joint Global Coordinator may in their sole discretion re-allocate any of the unsubscribed International Offer Shares to the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the sole discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$5.54 per Offer Share plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee.

THE INTERNATIONAL OFFERING

Number of International Offer Shares

The number of Offer Shares to be initially offered for subscription or sale under the International Offering will consist of 1,188,000,000 International Offer Shares, comprising 1,068,000,000 Offer Shares to be offered by our Bank and 120,000,000 Sale Shares offered by the Selling Shareholders (subject to adjustment and the Over-allotment Option) representing 90% of the Offer Shares under the Global Offering and approximately 21.21% of our total issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Under the International Offering, the International Purchasers will conditionally place our Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of International Offer Shares under the International Offering will be effected in accordance with the book-building and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the H Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Bank and our shareholders as a whole.

The Hong Kong Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstance, be reallocated as between those offerings at the discretion of the Joint Global Coordinators.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the H Shares to be admitted into the CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Bank complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

THE SELLING SHAREHOLDERS

The Selling Shareholders are initially offering a total of 120,000,000 Sale Shares as part of the Global Offering. The Selling Shareholders may sell up to an aggregate of additional 18,000,000 Sale Shares if the Over-allotment Option is exercised in full.

Pursuant to a letter issued by the NSSF (Shebaojijinfa [2015] No. 43) on March 30, 2015, the NSSF instructed us, among other things, to remit the proceeds from the sale of the Sale Shares (after deducting the SFC transaction levy and Hong Kong Stock Exchange trading fee) to an account designated by the NSSF.

For more information, please refer to headed "Statutory and General Information — L. Particulars of the Selling Shareholders" in Appendix VII.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, we and the Selling Shareholders are expected to grant the Over-allotment Option to the International Purchasers, exercisable by the Joint Global Coordinators on behalf of the International Purchasers.

Pursuant to the Over-allotment Option, the International Purchasers have the right, exercisable by the Joint Global Coordinators (on behalf of the International Purchasers) within 30 days from the last day for lodging of applications under the Hong Kong Public Offering (the last day for the exercise of the Over-allotment Option being Sunday, December 27, 2015), to require us to allot and issue, and the Selling Shareholders to sell, up to an aggregate of 198,000,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.42% of our enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, CCB International Capital Limited, its affiliate(s) or any person acting for it as stabilizing manager (the "**Stabilizing Manager**"), on behalf of the underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of our H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing action permitted pursuant to the Securities and Futures (Price Stabilizing) Rules includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, our H Shares for the sole purpose of preventing or minimizing any reduction in the market price, (v) selling our H Shares to liquidate a long position held as a result of those purchases, and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Stabilizing actions by the Stabilizing Manager, its affiliate(s) or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of our H Shares, the Stabilizing Manager, its affiliate(s) or any person acting for it, may maintain a long position in our H Shares. The size of the long position, and the period for which the Stabilizing Manager, its affiliate(s) or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our H Shares.

Stabilizing action by the Stabilizing Manager, its affiliate(s) or any person acting for it is not permitted to support the price of our H Shares for longer than the stabilizing period, which begins on the day on which trading of our H Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Sunday, December 27, 2015. As a result, demand for our H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise might exist in the open market. Any stabilizing action taken by the Stabilizing Manager, its affiliate(s) or any person acting for it, may not necessarily result in the market price of our H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of our H Shares by the Stabilizing Manager, its affiliate(s) or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our H Shares by purchasers.

A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, December 7, 2015, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, December 7, 2015.

The H Shares will be traded in board lots of 1,000 H Shares each and the stock code of the H Shares will be 416.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date and subject to the other conditions set out in the subsection headed " — Conditions of the Global Offering."

We expect to enter into the International Purchase Agreement relating to the International Offering on or about Monday, November 30, 2015, shortly after determination of the Offer Price. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Purchase Agreement are summarized in the section headed "Underwriting" of this prospectus.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Bank, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any H Shares in our Bank and/or any of our subsidiaries;
- a Director or chief executive officer of our Bank and/or any of our subsidiaries;
- an associate or a close associate (both as defined in the Listing Rules) of any of the above;
- a connected person or a core connected person (both as defined in the Listing Rules) of our Bank or will become a connected person or a core connected person of our Bank immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, November 24, 2015 until 12:00 noon on Friday, November 27, 2015 from:

(i) the office of the Hong Kong Underwriters:

CCB International Capital Limited
12/F., CCB Tower,
3 Connaught Road Central,
Central,
Hong Kong

Barclays Bank PLC, Hong Kong Branch
41/F, Cheung Kong Center,
2 Queen's Road Central,
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

CMB International Capital Limited
Units 1803-4
18/F, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Convoy Investment Services Limited
Room C, 24/F, @CONVOY
169 Electric Road
North Point
Hong Kong

RHB Securities Hong Kong Limited
12th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

(ii) any of the following branches of the receiving banks:

(i) **Bank of China (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
Kowloon:	Prince Edward Branch	774 Nathan Road
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories:	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

(ii) **China Construction Bank (Asia) Corporation Limited**

	Branch Name	Address
Hong Kong Island:	Central Branch	6 Des Voeux Road Central, Central
	Wanchai Queen's Road East Branch	72 Queen's Road East, Wanchai
	North Point Branch	382 King's Road, North Point
Kowloon:	Mongkok Nathan Road Branch	788 Nathan Road, Mongkok
	Kowloon Bay Amoy Gardens Branch	Shop 181, G/F, Phase IIA, Amoy Gardens, Kowloon Bay
New Territories:	Yuen Long Branch	68 Castle Peak Road, Yuen Long

(iii) **Wing Lung Bank Limited**

	Branch Name	Address
Hong Kong Island:	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	Kennedy Town Branch	28 Catchick Street
Kowloon:	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories:	Shatin Plaza Branch	21 Shatin Centre Street

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, November 24, 2015 until 12:00 noon on Friday, November 27, 2015 from the Depository Counter of HKSCC at 1/F, One and Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Bank of Jinzhou Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, November 24, 2015 — 9:00 a.m. to 5:00 p.m.
- Wednesday, November 25, 2015 — 9:00 a.m. to 5:00 p.m.
- Thursday, November 26, 2015 — 9:00 a.m. to 5:00 p.m.
- Friday, November 27, 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, November 27, 2015, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Bank and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Bank, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Bank, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Bank, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents, any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Bank, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Bank to place your name(s) or the name of the HKSCC Nominees, on our Bank's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Bank and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in "personal collection" section in this prospectus to collect share certificate(s)/or refund cheque(s);

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Bank and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Bank. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, November 24, 2015 until 11:30 a.m. on Friday, November 27, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, November 27, 2015 or such later time under the "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2.00 for each "Bank of Jinzhou Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of Dong Jiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Bank, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Bank, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you, and that you may be prosecuted if you make a false declaration;

- authorise our Bank to place HKSCC Nominees' name on our Bank's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Bank, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Bank, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Bank agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in

Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Bank's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Bank, for itself and for the benefit of our shareholder (and so that our Bank will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree with our Bank, for itself and for the benefit of each shareholder of our Bank and each Director, Supervisor, manager and other senior officer of our Bank (and so that our Bank will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of our Bank and each Director, Supervisor, manager and other senior officer of our Bank, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of the Bank or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Bank to arbitration in accordance with the Articles of Association of the Bank;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Bank (for ourselves and for the benefit of each shareholder of our Bank) that H shares in our Bank are freely transferable by their holders;

- authorise our Bank to enter into a contract on its behalf with each Director and officer of our Bank whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Bank; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Bank or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of number of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, November 24, 2015 — 9:00 a.m. to 8:30 p.m.[(1)]

Wednesday, November 25, 2015 — 8:00 a.m. to 8:30 p.m.[(1)]

Thursday, November 26, 2015 — 8:00 a.m. to 8:30 p.m.[(1)]

Friday, November 27, 2015 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, November 24, 2015 until 12:00 noon on Friday, November 27, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, November 27, 2015, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Bank, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day to make your electronic applications. Our Bank, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, November 27, 2015 or such later time under the "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section entitled "Structure of the Global Offering — Pricing and allocation — Determining the Offer Price".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 27, 2015. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, November 27, 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section entitled "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, December 4, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Bank's website at **www.jinzhoubank.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Bank's website at **www.jinzhoubank.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, December 4, 2015;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, December 4, 2015 to 12:00 midnight on Thursday, December 10, 2015;

- by telephone enquiry line, by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, December 4, 2015 to Monday, December 7, 2015; and

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, December 4, 2015, Saturday, December 5, 2015 and Monday, December 7, 2015 at all the receiving banks' designated branches and sub-branches.

If our Bank accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section entitled "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications that are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) **If our Bank or our agents exercise our discretion to reject your application:**

Our Bank, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Bank of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Bank or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$5.54 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, December 4, 2015.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Friday, December 4, 2015. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Monday, December 7, 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from our H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, December 4, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, December 4, 2015, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, December 4, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, December 4, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  We will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, December 4, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, December 4, 2015, or such other date as notified by us in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, December 4, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, December 4, 2015, or on any other date determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Friday, December 4, 2015. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, December 4, 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, December 4, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, December 4, 2015.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Bank's independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

November 24, 2015

The Directors
Bank of Jinzhou Co., Ltd.

CCB International Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the consolidated financial information relating to Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (together as the "Group") which comprise the consolidated statements of financial position of the Group and the statements of financial position of the Bank as at December 31, 2012, 2013, 2014 and June 30, 2015 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of the Group for each of the years ended December 31, 2012, 2013, 2014 and six months ended June 30, 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the prospectus of the Bank dated November 24, 2015 (the "Prospectus").

The Bank was formerly known as Jinzhou City Cooperative Bank Co., Ltd., a joint stock commercial bank established in Liaoning Province, the People's Republic of China (the "PRC") on January 22, 1997 with the approval of the People's Bank of China (the "PBOC") and was renamed as Jinzhou City Commercial Bank Co., Ltd. in 1998. The Bank was further renamed as Bank of Jinzhou Co., Ltd. in 2008 with the approval of China Banking Regulatory Commission (the "CBRC").

The Group has prepared statutory financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the "PRC GAAP") (the "PRC GAAP Financial Statements"). RSM China Certified Public Accountants (Special General Partnership), Ruihua Certified Public Accountants (Special General Partnership) and KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) acted as the statutory auditors of the Group and audited the PRC GAAP Financial Statements for the year ended December 31, 2012, 2013 and 2014, respectively.

All subsidiaries of the Bank have adopted December 31 as their financial year end date. Details of the Bank's subsidiaries and the names of the respective auditors are set out in Note 25 of Section C. The statutory financial statements of the Bank's subsidiaries have been prepared in accordance with the PRC GAAP.

The directors of the Bank have prepared the Group's consolidated financial statements for the Relevant Periods in accordance with the International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended December 31, 2012, 2013, 2014 and six months ended June 30, 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Bank for inclusion in the Prospectus in connection with the listing of shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Bank are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Bank determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Bank, its subsidiaries or the Group in respect of any period subsequent to June 30, 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group and the Bank as at December 31, 2012, 2013, 2014 and June 30, 2015 and the Group's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING INTERIM FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the six months ended June 30, 2014, together with the notes thereon (the "Corresponding Interim Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Bank are responsible for the preparation of the Corresponding Interim Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Interim Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures, A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Interim Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Interim Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

I CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in thousands of Renminbi, unless otherwise stated)

		Years ended December 31,			Six months ended June 30,	
	Note	2012	2013	2014	2014	2015
					(unaudited)	
Interest income		5,733,741	8,522,877	13,582,488	5,861,981	9,683,049
Interest expense		(2,479,695)	(4,701,435)	(7,954,065)	(3,642,233)	(5,241,041)
Net interest income	4	3,254,046	3,821,442	5,628,423	2,219,748	4,442,008
Fee and commission income		123,018	100,483	183,105	78,238	160,922
Fee and commission expense		(26,264)	(25,212)	(66,782)	(22,211)	(28,635)
Net fee and commission income	5	96,754	75,271	116,323	56,027	132,287
Net trading gains / (losses)	6	24,906	(5,671)	470	(7,236)	60,796
Dividend income		5,780	6,320	6,360	—	440
Net gains / (losses) arising from investment securities	7	60,838	(3,643)	8,396	1,683	2,254
Foreign exchange gain		13,115	4,257	7,872	13,165	32,243
Other operating income		30,663	24,121	26,765	3,475	9,640
Operating income		3,486,102	3,922,097	5,794,609	2,286,862	4,679,668
Operating expenses	8	(1,651,408)	(1,888,077)	(2,213,490)	(983,291)	(1,246,461)
Operating profit before impairment		1,834,694	2,034,020	3,581,119	1,303,571	3,433,207
Impairment losses on assets	11	(298,712)	(274,739)	(793,469)	(111,443)	(1,534,736)
Profit before tax		1,535,982	1,759,281	2,787,650	1,192,128	1,898,471
Income tax	12	(364,565)	(403,783)	(664,473)	(282,153)	(458,543)
Net profit		1,171,417	1,355,498	2,123,177	909,975	1,439,928

	Note	Years ended December 31, 2012	2013	2014	Six months ended June 30, 2014	2015
					(unaudited)	
Net profit		1,171,417	1,355,498	2,123,177	909,975	1,439,928
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
- Available-for-sale financial assets						
- Change in fair value recognized in the capital reserve		(59,024)	(908,799)	1,043,201	628,842	94,965
- Reclassified to the profit or loss upon disposal		2,550	(2,181)	33,432	16,609	134
- Related income tax effect	27(b)	14,119	227,744	(269,158)	(161,361)	(23,775)
Items that will not be reclassified subsequently to profit or loss:						
- Remeasurement of defined benefit obligation	34(b)	1,024	2,791	(3,916)	(1,828)	(1,176)
Other comprehensive income, net of tax		(41,331)	(680,445)	803,559	482,262	70,148
Total comprehensive income		1,130,086	675,053	2,926,736	1,392,237	1,510,076
Net profit attributable to:						
Equity shareholders of the Bank		1,167,450	1,350,691	2,115,715	907,375	1,434,186
Non-controlling interests		3,967	4,807	7,462	2,600	5,742
		1,171,417	1,355,498	2,123,177	909,975	1,439,928
Total comprehensive income attributable to:						
Equity shareholders of the Bank		1,126,119	670,246	2,919,274	1,389,637	1,504,334
Non-controlling interests		3,967	4,807	7,462	2,600	5,742
		1,130,086	675,053	2,926,736	1,392,237	1,510,076
Basic and diluted earnings per share (in RMB)	13	0.30	0.35	0.54	0.23	0.33

II CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Assets					
Cash and deposits with the central bank	14	22,713,177	23,258,576	30,170,499	30,705,979
Deposits with banks and other financial institutions	15	8,759,201	9,698,194	12,520,605	16,078,869
Placements with banks and other financial institutions	16	—	1,980,592	—	912,321
Financial assets at fair value through profit or loss	17	324,171	58,500	9,990,252	14,424,846
Positive fair value of derivatives	18	—	—	—	15,756
Financial assets held under resale agreements	19	1,147,177	—	—	—
Interests receivable	20	536,190	673,863	1,560,158	1,767,107
Loans and advances to customers	21	61,781,077	76,728,790	86,548,794	90,569,221
Available-for-sale financial assets	22	9,818,416	14,942,468	17,256,245	16,876,631
Held-to-maturity investments	23	7,925,467	7,587,623	7,339,592	10,290,618
Debt securities classified as receivables	24	5,960,000	35,421,188	79,256,458	124,785,198
Property and equipment	26	3,651,765	4,141,420	5,097,505	5,204,810
Deferred tax assets	27	229,557	432,078	399,966	667,346
Other assets	28	448,109	590,558	552,646	640,122
Total assets		123,294,307	175,513,850	250,692,720	312,938,824

	Note	At December 31, 2012	2013	2014	At June 30, 2015
Liabilities and equity					
Liabilities					
Borrowing from the central bank		20,000	27,000	190,000	50,000
Deposits from banks and other financial institutions	30	20,158,930	52,391,176	82,457,624	107,040,583
Placements from banks and other financial institutions	31	772,871	3,029,890	3,044,677	4,700,249
Financial liabilities at fair value through profit or loss		—	—	9,932,205	14,296,705
Negative fair value of derivatives	18	—	—	—	21,650
Financial assets sold under repurchase agreements	32	6,011,400	9,034,400	10,259,000	11,561,900
Deposits from customers	33	82,786,317	92,764,588	119,402,997	150,029,965
Accrued staff costs	34	254,854	262,996	277,945	247,004
Taxes payable	35	112,590	106,405	412,794	287,764
Interests payable	36	1,068,644	1,881,010	3,346,861	4,488,276
Debts securities issued	37	500,000	500,000	2,000,000	2,000,000
Other liabilities	38	411,596	4,007,070	3,491,481	1,359,931
Total liabilities		112,097,202	164,004,535	234,815,584	296,084,027
Equity					
Share capital	39	3,902,234	3,902,234	4,402,234	4,402,234
Capital reserve	40	3,589,035	2,909,068	4,962,627	5,032,775
Surplus reserve	41	458,973	591,654	802,364	802,364
General reserve	41	1,348,374	2,198,771	3,159,078	3,159,078
Retained earnings	42	1,819,659	1,797,049	2,332,012	3,237,930
Total equity attributable to equity shareholders of the Bank		11,118,275	11,398,776	15,658,315	16,634,381
Non-controlling interests		78,830	110,539	218,821	220,416
Total equity		11,197,105	11,509,315	15,877,136	16,854,797
Total liabilities and equity		123,294,307	175,513,850	250,692,720	312,938,824

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Bank								
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
Balance at January 1, 2012		3,772,234	3,305,366	344,194	715,981	1,399,381	9,537,156	54,883	9,592,039
Changes in equity for the year:									
Total comprehensive income		—	(41,331)	—	—	1,167,450	1,126,119	3,967	1,130,086
Changes in share capital									
— Capital contributed by equity shareholders	39	130,000	325,000	—	—	—	455,000	—	455,000
— Capital contribution by non-controlling interests		—	—	—	—	—	—	19,980	19,980
Appropriation of profits	42								
— Appropriation to surplus reserve		—	—	114,779	—	(114,779)	—	—	—
— Appropriation to general reserve		—	—	—	632,393	(632,393)	—	—	—
Balance at December 31, 2012		3,902,234	3,589,035	458,973	1,348,374	1,819,659	11,118,275	78,830	11,197,105
Balance at January 1, 2013		3,902,234	3,589,035	458,973	1,348,374	1,819,659	11,118,275	78,830	11,197,105
Changes in equity for the year:									
Total comprehensive income		—	(680,445)	—	—	1,350,691	670,246	4,807	675,053
Changes in share capital									
— Capital contribution by non-controlling interests		—	478	—	—	—	478	26,902	27,380
Appropriation of profits	42								
— Appropriation to surplus reserve		—	—	132,681	—	(132,681)	—	—	—
— Appropriation to general reserve		—	—	—	850,397	(850,397)	—	—	—
— Appropriation to shareholders		—	—	—	—	(390,223)	(390,223)	—	(390,223)
Balance at December 31, 2013		3,902,234	2,909,068	591,654	2,198,771	1,797,049	11,398,776	110,539	11,509,315

	Note	Attributable to equity shareholders of the Bank						Non-controlling interests	Total
		Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at January 1, 2014		3,902,234	2,909,068	591,654	2,198,771	1,797,049	11,398,776	110,539	11,509,315
Changes in equity for the year:									
Total comprehensive income		—	803,559	—	—	2,115,715	2,919,274	7,462	2,926,736
Changes in share capital									
— Capital contributed by equity shareholders	39	500,000	1,250,000	—	—	—	1,750,000	—	1,750,000
— Capital contribution by non-controlling interests		—	—	—	—	—	—	100,820	100,820
Appropriation of profits	42								
— Appropriation to surplus reserve		—	—	210,710	—	(210,710)	—	—	—
— Appropriation to general reserve		—	—	—	960,307	(960,307)	—	—	—
— Appropriation to shareholders		—	—	—	—	(409,735)	(409,735)	—	(409,735)
Balance at December 31, 2014		4,402,234	4,962,627	802,364	3,159,078	2,332,012	15,658,315	218,821	15,877,136
Balance at January 1, 2014		3,902,234	2,909,068	591,654	2,198,771	1,797,049	11,398,776	110,539	11,509,315
Changes in equity for the period:									
Total comprehensive income (unaudited)		—	482,262	—	—	907,375	1,389,637	2,600	1,392,237
Changes in share capital									
— Capital contribution by non-controlling interests		—	—	—	—	—	—	42,250	42,250
Appropriation of profits	42								
— Appropriation to shareholders (unaudited)		—	—	—	—	(409,735)	(409,735)	—	(409,735)
Balance at June 30, 2014 (unaudited)		3,902,234	3,391,330	591,654	2,198,771	2,294,689	12,378,678	155,389	12,534,067
Balance at January 1, 2015		4,402,234	4,962,627	802,364	3,159,078	2,332,012	15,658,315	218,821	15,877,136
Changes in equity for the period:									
Total comprehensive income		—	70,148	—	—	1,434,186	1,504,334	5,742	1,510,076
Appropriation of profits	42								
— Appropriation to shareholders		—	—	—	—	(528,268)	(528,268)	(4,147)	(532,415)
Balance at June 30, 2015		4,402,234	5,032,775	802,364	3,159,078	3,237,930	16,634,381	220,416	16,854,797

IV CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
					(unaudited)	
Cash flows from operating activities						
Net profit		1,171,417	1,355,498	2,123,177	909,975	1,439,928
Adjustments for:						
Impairment losses on assets		298,712	274,739	793,469	111,443	1,534,736
Depreciation and amortization		236,749	271,340	325,884	148,119	169,336
Unwinding of discount		(10,889)	(7,637)	(6,180)	(3,381)	(1,404)
Dividend income		(5,780)	(6,320)	(6,360)	—	(440)
Unrealized foreign exchange losses / (gains)		161	3,617	(103)	(1,040)	447
Net (gains) / losses on disposal of investment securities		(60,838)	3,643	(8,396)	(1,683)	(2,254)
Net gains on disposal of trading securities		(12,385)	—	(923)	—	(2,743)
Revaluation (gains) / losses on financial instruments at fair value through profit or loss		(12,521)	5,671	453	7,236	(58,053)
Interest expense on debts securities issued		57,302	29,500	126,733	58,930	66,985
Net (gains)/losses on disposal of property and equipment		(5,915)	(5,575)	(7,853)	20	—
Income tax		364,565	403,783	664,473	282,153	458,543
		2,020,578	2,328,259	4,004,374	1,511,772	3,605,081
Changes in operating assets						
Net (increase)/decrease in deposits with the central bank, banks and other financial institutions		(7,677,820)	(3,364,128)	(10,567,250)	(14,787,055)	1,683,349
Net (increase) / decrease in placements with banks and other financial institutions		—	(1,909,254)	1,909,254	42,858	(794,768)
Net increase in loans and advances to customers		(11,419,212)	(15,216,031)	(10,526,994)	(6,745,139)	(5,318,196)
Net decrease in financial assets held under resale agreements		983,423	877,177	—	—	—
Net increase in financial instruments designated at fair value through profit or loss		—	—	(9,927,769)	—	(4,328,550)
Net decrease / (increase) in other operating assets		103,519	(318,677)	(865,748)	(475,106)	(486,419)
		(18,010,090)	(19,930,913)	(29,978,507)	(21,964,442)	(9,244,584)

	Note	Years ended December 31, 2012	2013	2014	Six months ended June 30, 2014	2015
					(unaudited)	
Changes in operating liabilities						
Net increase / (decrease) in borrowing from central bank		20,000	7,000	163,000	113,000	(140,000)
Net increase in deposits from banks and other financial institutions		11,235,163	32,232,246	30,066,448	23,363,540	24,582,959
Net (decrease) / increase in placements from banks and other financial institutions		(1,015,552)	2,257,019	14,787	1,379,084	1,655,572
Net increase / (decrease) in financial assets sold under repurchase agreements		3,712,080	3,023,000	1,224,600	(2,124,000)	1,302,900
Net increase in financial liabilities designated at fair value through profit or loss		—	—	9,932,205	—	4,328,550
Net increase in deposits from customers		1,671,645	9,978,271	26,638,409	13,349,959	30,626,968
Income tax paid		(382,155)	(405,089)	(616,956)	(288,253)	(876,395)
Net increase / (decrease) in other operating liabilities		517,365	4,436,579	858,742	5,422,852	(1,494,648)
		15,758,546	51,529,026	68,281,235	41,216,182	59,985,906
Net cash flows (used in) / generated from operating activities		(230,966)	33,926,372	42,307,102	20,763,512	54,346,403
Cash flows from investing activities						
Proceeds from disposal and redemption of investments		20,427,098	44,512,518	82,426,921	26,194,900	356,587,809
Dividends received		5,780	6,320	6,360	—	440
Proceeds from disposal of property and equipment and other assets		11,063	16,079	11,942	1,351	—
Payments on acquisition of investments		(20,127,717)	(79,405,684)	(127,258,324)	(49,714,512)	(404,645,339)
Payments on acquisition of property and equipment, intangible assets and other assets		(710,615)	(738,446)	(1,334,494)	(325,679)	(265,390)
Net cash flows used in investing activities		(394,391)	(35,609,213)	(46,147,595)	(23,843,940)	(48,322,480)

	Note	Years ended December 31, 2012	2013	2014	Six months ended June 30, 2014 (unaudited)	2015
Cash flows from financing activities						
Proceeds from capital contribution by equity shareholders		175,000	—	1,750,000	—	—
Capital contribution by non-controlling interests		19,980	27,380	100,820	42,250	—
Proceeds from issue of new debt securities		—	—	1,500,000	1,500,000	—
Repayment of debts securities issued		(500,000)	—	—	—	—
Interest paid on debts securities issued		(57,500)	(29,500)	(29,500)	—	(105,000)
Dividends paid		—	(387,684)	(382,590)	—	(20,336)
Net cash flows (used in) / generated from financing activities		(362,520)	(389,804)	2,938,730	1,542,250	(125,336)
Effect of foreign exchange rate changes on cash and cash equivalents		(294)	(5,753)	(2,491)	(2,110)	(3,940)
Net (decrease)/increase in cash and cash equivalents	45(a)	(988,171)	(2,078,398)	(904,254)	(1,540,288)	5,894,647
Cash and cash equivalents as at January 1		8,455,981	7,467,810	5,389,412	5,389,412	4,485,158
Cash and cash equivalents as at December 31/June 30	45(b)	7,467,810	5,389,412	4,485,158	3,849,124	10,379,805
Interest received		6,344,626	8,379,857	12,690,958	5,282,993	9,454,174
Interest paid (excluding interest expense on debts securities issued)		(1,965,357)	(3,859,569)	(6,458,714)	(2,806,641)	(3,994,626)

B STATEMENTS OF FINANCIAL POSITION OF THE BANK

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Assets					
Cash and deposits with the central bank	14	22,524,347	23,007,652	29,804,734	30,321,545
Deposits with banks and other financial institutions	15	8,698,946	9,648,150	12,318,214	15,952,727
Placements with banks and other financial institutions	16	—	1,980,592	—	912,321
Financial assets at fair value through profit or loss	17	324,171	58,500	9,990,252	14,525,039
Positive fair value of derivatives	18	—	—	—	15,756
Financial assets held under resale agreements	19	1,147,177	—	—	—
Interests receivable	20	534,285	670,910	1,555,194	1,760,013
Loans and advances to customers	21	61,208,324	75,902,930	85,022,175	88,565,226
Available-for-sale financial assets	22	9,818,416	14,942,468	17,256,245	16,876,631
Held-to-maturity investments	23	7,925,467	7,587,623	7,339,592	10,290,618
Debt securities classified as receivables	24	5,960,000	35,421,188	79,256,458	124,685,198
Investments in subsidiaries	25	82,330	131,740	230,730	230,730
Property and equipment	26	3,603,874	4,067,696	4,958,379	5,055,333
Deferred tax assets	27	228,784	426,878	389,170	654,210
Other assets	28	444,563	565,292	551,027	629,519
Total assets		122,500,684	174,411,619	248,672,170	310,474,866

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Liabilities and equity					
Liabilities					
Borrowing from central bank		—	7,000	—	—
Deposits from banks and other financial institutions	30	20,202,317	52,470,852	82,730,289	107,460,995
Placements from banks and other financial institutions	31	772,871	3,029,890	3,044,677	4,700,249
Financial liabilities at fair value through profit or loss		—	—	9,932,205	14,396,712
Negative fair value of derivatives	18	—	—	—	21,650
Financial assets sold under repurchase agreements	32	6,011,400	9,034,400	10,259,000	11,561,900
Deposits from customers	33	82,066,354	91,749,735	117,581,236	147,387,988
Accrued staff costs	34	251,399	256,616	270,384	240,443
Taxes payable	35	109,692	101,539	405,484	281,837
Interests payable	36	1,061,051	1,865,815	3,317,033	4,450,428
Debts securities issued	37	500,000	500,000	2,000,000	2,000,000
Other liabilities	38	411,328	4,005,449	3,490,616	1,357,297
Total liabilities		111,386,412	163,021,296	233,030,924	293,859,499
Equity					
Share capital	39	3,902,234	3,902,234	4,402,234	4,402,234
Capital reserve	40	3,589,035	2,908,590	4,962,149	5,032,297
Surplus reserve	41	458,973	591,654	802,364	802,364
General reserve	41	1,348,374	2,198,771	3,159,078	3,159,078
Retained earnings	42	1,815,656	1,789,074	2,315,421	3,219,394
Total equity		11,114,272	11,390,323	15,641,246	16,615,367
Total liabilities and equity		122,500,684	174,411,619	248,672,170	310,474,866

C NOTES TO THE FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

The Bank, formerly known as Jinzhou City Cooperative Bank Co., Ltd., is a joint stock commercial bank established on January 22, 1997 with approval of the People's Bank of China (the "PBOC") (YinFu 1997 No.29).

On September 29, 1998, pursuant to YinFa 1998 No. 94 jointly issued by the PBOC and the State Administration of Industry and Commerce (the "SAIC"), the Bank changed its name from Jinzhou City Cooperative Bank Co., Ltd. to Jinzhou City Commercial Bank Co., Ltd.. On April 14, 2008, pursuant to YinJianFu 2008 No. 137 approved by the China Banking Regulatory Commission (the "CBRC"), the Bank further changed its name from Jinzhou City Commercial Bank Co., Ltd. to Bank of Jinzhou Co., Ltd..

The Bank obtained its finance permit No. B0127H221070001 from the CBRC. The Bank obtained its business license No. 210700004032898 from the SAIC. The legal representative is Zhang Wei and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

As at June 30, 2015, the Bank has established 12 branches and 166 sub-branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin and Liaoyang. The Bank has 4 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC ("Hong Kong"), the Macau Special Administration Region of the PRC ("Macau") and Taiwan.

2 Significant accounting policies

(1) *Statement of compliance and basis of preparation*

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs") and related interpretations, issued by the International Accounting Standards Board (the "IASB"). The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all the new and revised IFRSs in issue which are relevant to the Group for the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended June 30, 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended June 30, 2015, which may be relevant to the Group, are set out below:

	Effective for accounting period beginning on or after
Annual Improvements to IFRSs 2012-2014 cycle	1 January 2016
IFRS 14, *Regulatory deferral accounts*	1 January 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to IAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to IFRS 10, IFRS 12, and IAS 28, *Investment entities: Applying the consolidation exception*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial Instruments (2014)*	1 January 2018

The Group is in the process of assessing the impact of these new standards and amendments on the Financial Information. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information except for the following:

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Group is assessing the potential impact on its Financial Information resulting from the application of IFRS 9. Given the nature of the Group's operations, the standard is expected to have an impact on the Group's Financial Information. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowance.

The accounting policies set out below have been consistently applied in preparing the Financial Information for the Relevant Periods. The Corresponding Interim Financial Information for the period end June 30, 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

The Financial Information are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Group.

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgments that have a significant effect on the Financial Information and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 2(23).

The measurement basis used in the preparation of the Financial Information is historical cost, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(5).

(2) ***Basis of consolidation***

The Financial Information comprises financial statements of the Bank and its subsidiaries. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated Financial Information from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized profit arising from intra-group transactions, are eliminated in full in preparing the consolidated Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests are presented separately in the consolidated statements of financial position within equity as well as in the consolidated statements of profit or loss and other comprehensive income within net profit and total comprehensive income. Where losses attributable to the non-controlling interests of a subsidiary exceed the non-controlling interests in the equity of the subsidiary, the excess, and any further losses attributable to the non-controlling interests, are allocated against the equity attributable to the Bank.

In the Bank's statements of financial position, investments in subsidiaries are stated at cost less provision for impairment losses (note 2(13)).

(3) ***Translation of foreign currencies***

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the Relevant Periods. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in capital reserve.

(4) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(5) ***Financial instruments***

(i) *Recognition and measurement of financial assets and liabilities*

A financial asset or financial liability is recognized in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorized as follows:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading).

  A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

  Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

  — the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;

  — the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;

  — the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

  — the separation of the embedded derivatives from the financial instrument is prohibited.

  Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognized in profit or loss.

- Held-to-maturity investments

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

  (a) those that the Group, upon initial recognition, designates at fair value through profit or loss or as available-for-sale; or

  (b) those that meet the definition of loans and receivables.

  Subsequent to initial recognition, held-to-maturity investments are stated at amortized cost using the effective interest method.

- Loans and receivables

  Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

  (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;

  (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or

  (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

  Loans and receivables mainly comprise loans and advances to customers, debt securities classified as receivables, deposits and placements with banks and other financial institutions and financial assets held under resale agreements. Subsequent to initial recognition, loans and receivables are stated at amortized cost using the effective interest method.

- Available-for-sale financial assets

  Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories.

  Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, are recognized directly in other comprehensive income. Investments in available-for-sale equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment losses, if any. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is reclassified to the profit or loss.

- Other financial liabilities

  Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

  Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(ii) *Impairment of financial assets*

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of each of the Relevant Periods to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

— significant financial difficulty of the issuer or borrower;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

— disappearance of an active market for financial assets because of financial difficulties;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

- Loans and receivables

  The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognized in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralized loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Homogeneous groups of loans not considered individually significant

For homogeneous groups of loans that are not considered individually significant, the Group adopts a flow rate methodology to collectively assess impairment losses. This methodology utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgement based on management's historical experience.

Individually assessed loans with no objective evidence of impairment on an individual basis

Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of each of the Relevant Periods but which will not be individually identified as such until sometime in the future.

The collective impairment loss is assessed after taking into account:

— historical loss experience in portfolios of similar credit risk characteristics;

— the emergence period between a loss occurring and that loss being identified; and

— the current economic and credit environments and the judgment on inherent loss based on management's historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

When the Group determines that loans and receivables have no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loans and receivables are written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loans and receivables written off are recovered, the amount recovered is recognized in profit or loss through impairment losses.

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

- *Held-to-maturity investments*

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

- *Available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognized.

The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost net of any principal repayment and amortization and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized on available-for-sale debt instruments, the fair value of the assets increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. An impairment loss recognized for an equity instrument classified as available-for-sale is not reversed through profit or loss but recognized directly in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset, and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Impairment losses for equity instruments carried at cost are not reversed.

(iii) *Fair value measurement principles*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the Relevant Periods. Where other pricing models are used, inputs are based on market data at the end of each of the Relevant Periods.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iv) *Derecognition of financial assets and financial liabilities*

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

— the contractual rights to the cash flows from the financial asset expire; or

— the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

(v) *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(6) ***Financial assets held under resale and repurchase agreements***

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(7) ***Investment in subsidiaries***

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(2).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognized at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (Note 2(13)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.

(8) ***Investment property***

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(13)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	4%	2.4%

(9) ***Property and equipment and construction in progress***

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(13)). Construction in progress is stated in the statements of financial position at cost less impairment loss (Note 2(13)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognized as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	4%	2.4%
Motor vehicles	5 years	5%	19.0%
Others	5-10 years	0%-5%	9.5%-20.0%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

(10) ***Operating leases***

Payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(11) ***Intangible assets***

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (Note 2(13)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

Computer software	10 years

(12) ***Repossessed assets***

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(13) ***Provision for impairment losses on non-financial assets***

The carrying amounts of the following assets are reviewed at the end of each of the Relevant Periods based on the internal and external sources of information to determine whether there is any indication of impairment:

— property and equipment

— construction in progress

— intangible assets

— investment property measured using a cost model

— investment in subsidiaries

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognized accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods.

(14) ***Employee benefits***

Employee benefits are all forms of considerations given and other relevant expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognized as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss.

(i) *Retirement benefits*

Defined contribution plans - social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Supplementary retirement benefits

The Group provides a supplementary retirement benefits to its eligible employee under the defined benefit plan for post-employment to periods of service and recognize the long term benefit obligations under the defined benefit plan for long-term paid leave plan when the plan was approved, with the corresponding charge to the profit or loss. The calculation of defined benefit obligations is performed annually by a qualified actuary using the expected cumulative unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

(ii) *Housing fund and other social insurances*

In addition to the retirement benefits, the Group has joined defined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the amounts stipulated by the relevant government organizations. The contributions are charged to profit or loss on an accrual basis.

(15) ***Income tax***

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items that are recognized in other comprehensive income, in which case the relevant amounts are recognized in other comprehensive income.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the period, and any adjustment to tax payable in respect of previous periods.

At the end of each of the Relevant Periods, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the end of each of the Relevant Periods, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realized or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of each of the Relevant Periods. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of each of the Relevant Periods, deferred tax assets and liabilities are offset if all the following conditions are met:

— the taxable entity has a legally enforceable right to net off current tax assets against current tax liabilities; and

— they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either intend to settle the current tax liabilities and assets on a net basis, or to simultaneously realize the assets and settle the liabilities in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(16) ***Financial guarantees, provisions and contingent liabilities***

(i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (the "guarantor") to make specified payments to reimburse the beneficiary of the guarantee ("holder") for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognized as deferred income in other liabilities. The deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognized in the statements of financial position as stated in Note 2(16)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(ii) *Other provisions and contingent liabilities*

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(17) ***Fiduciary activities***

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(18) ***Income recognition***

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders. Income is recognized in profit or loss when it is probable that the economic benefits will flow to the Group, the income and costs can be measured reliably and the following respective conditions are met:

(i) *Interest income*

Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognized using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(ii) *Fee and commission income*

Fee and commission income is recognized in profit or loss when the corresponding service is provided.

(iii) *Other income*

Other income is recognized on an accrual basis.

(19) ***Expenses recognition***

(i) *Interest expenses*

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) *Other expenses*

Other expenses are recognized on an accrual basis.

(20) ***Dividends***

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of each of the Relevant Periods are not recognized as a liability at the end of each of the Relevant Periods but disclosed separately in the notes to the Financial Information.

(21) ***Related parties***

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Bank include, but are not limited to:

(a) the Bank's subsidiaries;

(b) investors that exercise significant influence over the Group;

(c) key management personnel of the Group and close family members of such individuals;

(d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

(22) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(23) ***Significant accounting estimates and judgements***

The preparation of Financial Information requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(i) *Impairment losses of loans and advances and debt securities classified as receivables*

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and debt securities classified as receivables. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

(ii) *Impairment losses of available-for-sale financial assets and held-to-maturity investments*

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

(iii) *Fair value of financial instruments*

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(iv) *The classification of the held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(v) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vi) *Impairment of non-financial assets*

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(vii) *Depreciation and amortization*

Investment properties, property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of the Relevant Periods. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

(viii) *Determination of control over investees*

Management applies its judgement to determine whether the control indicators set out in Note 2(2) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 43.

(ix) *Defined benefit plan*

The Group has established liabilities in connection with supplementary retirement benefits and other long term benefits. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, mortality rates, demission rates and other factors. Management has made significant estimates when made these assumptions. The changes in assumptions may affect the Group's expenses related to its employee defined benefit obligations.

3 **Taxes**

The Group's main applicable taxes and tax rates are as follows:

(a) ***Business tax***

Business tax is charged at 3%-5% on taxable income.

(b) ***Urban maintenance and construction tax***

Urban maintenance and construction tax is calculated as 1%-7% of business tax.

(c) ***Education surcharge***

Education surcharge is calculated as 3% of business tax.

(d) ***Local education surcharge***

Local education surcharge is calculated as 2% of business tax.

(e) ***Income tax***

The income tax is calculated on taxable income. The statutory income tax rate is 25%.

4 **Net interest income**

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Interest income arising from					
Deposits with the central bank	238,774	316,364	397,552	183,835	212,585
Deposits with banks and other financial institutions	181,757	511,766	1,068,921	540,407	316,668
Placements with banks and other financial institutions	90	78,455	96,531	74,572	1,101
Loans and advances to customers (Note)					
— Corporate loans and advances	3,985,328	4,859,853	5,681,013	2,658,278	3,126,116
— Personal loans and advances	146,628	237,872	488,929	210,836	327,000
— Discounted bills	7,559	15,103	25,263	13,982	31,592
Financial assets held under resale agreements	56,310	171,327	35,770	20,641	11,067
Investments	1,117,295	2,332,137	5,788,509	2,159,430	5,656,920
Sub-total	5,733,741	8,522,877	13,582,488	5,861,981	9,683,049
Interest expenses arising from					
Borrowing from the central bank	104	1,200	3,820	933	2,313
Deposits from banks and other financial institutions	637,734	2,369,400	4,428,983	2,124,786	2,666,401
Placements from banks and other financial institutions	46,718	82,284	76,610	47,822	15,120
Deposits from customers					
— Corporate customers	799,724	896,564	1,261,837	521,251	932,646
— Individual customers	820,690	1,002,864	1,112,426	530,598	722,389
Financial assets sold under repurchase agreements	102,213	289,819	335,386	150,927	173,404
Debts securities issued	57,302	29,500	126,733	58,930	66,985
Others	15,210	29,804	608,270	206,986	661,783
Sub-total	2,479,695	4,701,435	7,954,065	3,642,233	5,241,041
Net interest income	3,254,046	3,821,442	5,628,423	2,219,748	4,442,008

Note: Interest income arising from impaired financial assets for the years ended December 31, 2012, 2013, 2014 and six months ended June 30, 2014 and 2015 amounted to RMB10.89 million, RMB7.64 million, RMB6.18 million, RMB3.38 million and RMB1.40 million, respectively.

5 Net fee and commission income

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Fee and commission income					
Settlement and clearing fees	61,086	52,177	97,002	43,393	67,736
Trade financing service fees	36,576	603	475	93	15
Bank card service fees	7,938	10,323	14,222	6,289	7,801
Agency services fees	6,213	7,595	20,759	8,137	41,388
Wealth management service fees	5,947	6,242	16,675	986	30,591
Underwriting and advisory fees	2,350	7,604	8,456	2,933	6,610
Others	2,908	15,939	25,516	16,407	6,781
Sub-total	123,018	100,483	183,105	78,238	160,922
Fee and commission expense					
Settlement and clearing fees	6,092	9,486	12,582	5,997	5,894
Others	20,172	15,726	54,200	16,214	22,741
Sub-total	26,264	25,212	66,782	22,211	28,635
Net fee and commission income	96,754	75,271	116,323	56,027	132,287

6 Net trading gains / (losses)

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Trading financial instruments					
- Debt securities	24,906	(5,671)	4,905	2,590	3,142
- Derivatives	—	—	—	—	212
- Precious metals	—	—	—	—	(467)
Sub-total	24,906	(5,671)	4,905	2,590	2,887
Financial instruments designated at fair value through profit or loss	—	—	(4,435)	(9,826)	57,909
Total	24,906	(5,671)	470	(7,236)	60,796

7 Net gains / (losses) arising from investment securities

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Net gains / (losses) on disposal of available-for-sale financial assets	63,388	(5,824)	41,438	17,981	2,388
Net revaluation (losses) / gains reclassified from other comprehensive income on disposal	(2,550)	2,181	(33,432)	(16,606)	(134)
Net gains on disposal of debt securities classified as receivables	—	—	390	308	—
Total	60,838	(3,643)	8,396	1,683	2,254

8 **Operating expenses**

	Years ended December 31,			Six months ended June 30,	
	2012	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
Staff costs					
— Salaries and bonuses	479,947	572,030	668,847	316,491	380,791
— Staff welfares	56,554	55,917	42,859	17,689	18,274
— Pension	81,525	101,748	115,446	55,280	62,211
— Housing allowances	31,461	43,358	52,752	25,051	28,106
— Supplementary retirement benefits	1,493	1,533	1,519	760	859
— Other staff welfares	56,381	61,949	82,160	39,028	46,717
Sub-total	707,361	836,535	963,583	454,299	536,958
Premises and equipment expenses					
— Depreciation of property and equipment	169,880	203,791	231,799	113,458	131,563
— Amortization of intangible assets	10,185	13,646	16,030	7,651	9,274
— Amortization of other long-term assets	56,684	53,903	78,055	27,010	28,499
— Rental and property management expenses	33,225	42,675	55,236	23,512	29,968
Sub-total	269,974	314,015	381,120	171,631	199,304
Business tax and surcharges	242,756	301,782	402,131	181,658	223,119
Other general and administrative expenses (Note)	431,317	435,745	466,656	175,703	287,080
Total	1,651,408	1,888,077	2,213,490	983,291	1,246,461

Note: Auditors' remuneration for the years ended December 31, 2012, 2013, and 2014 was RMB1.20 million, RMB1.20 million and RMB1.80 million, respectively. Auditors' remuneration for the six months ended June 30, 2014 and 2015 was nil.

9 Directors' and supervisors' emoluments

The emoluments before individual income tax in respect of the directors and supervisors who held office during the Relevant Periods are as follows:

	Note	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
		Year ended December 31, 2012						
Executive directors								
Zhang Wei		—	468	1,440	1,908	553	217	2,678
Chen Man		—	240	504	744	216	104	1,064
Zhao Jie		—	240	480	720	225	150	1,095
Wang Jing		—	139	302	441	137	95	673
Wang Xiaoyu		—	113	256	369	116	87	572
Non-executive directors								
Zeng Gang		—	—	—	—	—	—	—
He Baosheng		—	—	—	—	—	—	—
Li Dongjun		—	—	—	—	—	—	—
Zhang Caiguang		—	—	—	—	—	—	—
Wu Zhengkui		—	—	—	—	—	—	—
Independent non-executive directors								
Jiang Daxing		63	—	—	63	—	—	63
Deng Xiaoyang		63	—	—	63	—	—	63
Niu Sihu		63	—	—	63	—	—	63
Jia Yuge		63	—	—	63	—	—	63
Jiang Jian		63	—	—	63	—	—	63
Supervisors								
Ning Yongfang		—	757	1,200	1,957	583	283	2,823
Li Xiu		—	77	278	355	109	75	539
Liu Hongsheng		—	113	266	379	120	89	588
Xiao Yufen		—	219	683	902	277	168	1,347
Xu Fei		—	113	266	379	119	88	586
Zhang Yuping		—	113	396	509	157	102	768
Yue Lanying	(i)	—	9	41	50	15	10	75
Tian Deying		—	—	—	—	—	—	—
Xu Fuchun		—	—	—	—	—	—	—
Xue Xiaodong	(ii)	—	—	—	—	—	—	—
Cheng Chunmei		—	—	—	—	—	—	—
Peng Xiaobiao		—	—	—	—	—	—	—
Yang Xiaofang		—	—	—	—	—	—	—
Zhang Weibin		—	—	—	—	—	—	—
Zhao Min		—	—	—	—	—	—	—
External supervisors								
Jing Fei		63	—	—	63	—	—	63
Chen Yingmei		63	—	—	63	—	—	63
Total		441	2,601	6,112	9,154	2,627	1,468	13,249

	Year ended December 31, 2013							
	Note	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
Executive directors								
Zhang Wei		—	468	1,440	1,908	553	222	2,683
Chen Man		—	432	501	933	271	128	1,332
Zhao Jie		—	240	480	720	225	156	1,101
Wang Jing		—	149	763	912	278	168	1,358
Wang Xiaoyu		—	113	322	435	136	100	671
Non-executive directors								
Zeng Gang		—	—	—	—	—	—	—
He Baosheng		—	—	—	—	—	—	—
Li Dongjun		—	—	—	—	—	—	—
Zhang Caiguang		—	—	—	—	—	—	—
Wu Zhengkui		—	—	—	—	—	—	—
Independent non-executive directors								
Jiang Daxing		137	—	—	137	—	—	137
Deng Xiaoyang		137	—	—	137	—	—	137
Niu Sihu		137	—	—	137	—	—	137
Jia Yuge		137	—	—	137	—	—	137
Jiang Jian		137	—	—	137	—	—	137
Supervisors								
Ning Yongfang		—	468	1,200	1,668	500	257	2,425
Li Xiu		—	78	290	368	114	84	566
Liu Hongsheng		—	104	289	393	123	92	608
Xiao Yufen		—	240	657	897	276	175	1,348
Xu Fei		—	198	104	302	101	103	506
Zhang Yuping		—	113	380	493	152	106	751
Tian Deying		—	—	—	—	—	—	—
Xu Fuchun		—	—	—	—	—	—	—
Cheng Chunmei		—	—	—	—	—	—	—
Peng Xiaobiao		—	—	—	—	—	—	—
Yang Xiaofang		—	—	—	—	—	—	—
Zhang Weibin		—	—	—	—	—	—	—
Zhao Min		—	—	—	—	—	—	—
External supervisors								
Jing Fei		137	—	—	137	—	—	137
Chen Yingmei		137	—	—	137	—	—	137
Total		959	2,603	6,426	9,988	2,729	1,591	14,308

	Note	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
		Year ended December 31, 2014						
Executive directors								
Zhang Wei		—	468	1,440	1,908	553	223	2,684
Chen Man		—	432	899	1,331	402	234	1,967
Zhao Jie		—	240	480	720	219	136	1,075
Wang Jing	(iii)	—	116	400	516	158	100	774
Wang Xiaoyu	(iii)	—	85	234	319	97	67	483
Non-executive directors								
Li Dongjun		—	—	—	—	—	—	—
Zhang Caiguang		—	—	—	—	—	—	—
Wu Zhengkui		—	—	—	—	—	—	—
Zhu Xiaohui	(iii)	—	—	—	—	—	—	—
Wang Chunjie	(iii)	—	—	—	—	—	—	—
Gu Jie	(iii)	—	—	—	—	—	—	—
He Baosheng	(iii)	—	—	—	—	—	—	—
Zeng Gang	(iii)	—	—	—	—	—	—	—
Independent non-executive directors								
Jiang Daxing		210	—	—	210	—	—	210
Deng Xiaoyang		210	—	—	210	—	—	210
Niu Sihu		210	—	—	210	—	—	210
Jia Yuge		210	—	—	210	—	—	210
Jiang Jian		210	—	—	210	—	—	210
Choon Yew Khee	(iii)	—	—	—	—	—	—	—
Supervisors								
Ning Yongfang		—	505	1,200	1,705	495	201	2,401
Xu Fei		—	180	320	500	153	98	751
Luo Yan	(iv)	—	28	125	153	47	29	229
Shi Hongmiao	(iv)	—	27	99	126	38	26	190
Li Xiu		—	85	337	422	130	92	644
Xiao Yufen	(iv)	—	180	504	684	207	118	1,009
Zhang Yuping	(iv)	—	85	291	376	116	83	575
Cheng Chunmei	(iv)	100	—	—	100	—	—	100
Peng Xiaobiao	(iv)	100	—	—	100	—	—	100
Tian Deying		—	—	—	—	—	—	—
He Baosheng	(iv)	—	—	—	—	—	—	—
Zhao Lanying	(iv)	—	—	—	—	—	—	—
Liu Hongsheng	(iv)	—	—	—	—	—	—	—
Xu Fuchun	(iv)	—	—	—	—	—	—	—
Yang Xiaofang	(iv)	—	—	—	—	—	—	—
Zhang Weibin	(iv)	—	—	—	—	—	—	—
Zhao Min	(iv)	—	—	—	—	—	—	—
External supervisors								
Jing Fei		210	—	—	210	—	—	210
Chen Yingmei		210	—	—	210	—	—	210
Nie Ying	(iv)	—	—	—	—	—	—	—
Li Tongyu	(iv)	—	—	—	—	—	—	—
Zhao Hongxia	(iv)	—	—	—	—	—	—	—
Total		1,670	2,431	6,329	10,430	2,615	1,407	14,452

	Six months June 30, 2014 (unaudited)							
	Note	Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
Executive directors								
Zhang Wei		—	234	—	234	68	34	336
Chen Man		—	266	273	539	164	103	806
Zhao Jie		—	120	—	120	40	43	203
Wang Jing		—	77	—	77	28	39	144
Wang Xiaoyu		—	42	170	212	65	45	322
Non-executive directors								
Zeng Gang		—	—	—	—	—	—	—
He Baosheng		—	—	—	—	—	—	—
Li Dongjun		—	—	—	—	—	—	—
Zhang Caiguang		—	—	—	—	—	—	—
Wu Zhengkui		—	—	—	—	—	—	—
Independent non-executive directors								
Jiang Daxing		210	—	—	210	—	—	210
Deng Xiaoyang		210	—	—	210	—	—	210
Niu Sihu		210	—	—	210	—	—	210
Jia Yuge		210	—	—	210	—	—	210
Jiang Jian		210	—	—	210	—	—	210
Supervisors								
Ning Yongfang		—	234	—	234	73	56	363
Xu Fei		—	120	—	120	141	80	341
Liu Hongsheng		—	—	—	—	—	—	—
Xiao Yufen		—	43	168	211	65	46	322
Zhang Yuping		—	57	189	246	76	55	377
Li Xiu		—	43	168	211	40	43	294
Cheng Chunmei		100	—	—	100	—	—	100
Peng Xiaobiao		100	—	—	100	—	—	100
Tian Deying		—	—	—	—	—	—	—
Xu Fuchun		—	—	—	—	—	—	—
Yang Xiaofang		—	—	—	—	—	—	—
Zhang Weibin		—	—	—	—	—	—	—
Zhao Min		—	—	—	—	—	—	—
External supervisors								
Jing Fei		210	—	—	210	—	—	210
Chen Yingmei		210	—	—	210	—	—	210
Total		1,670	1,236	968	3,874	760	544	5,178

	Note	Six months June 30, 2015						
		Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
Executive directors								
Zhang Wei		—	234	1,440	1,674	486	188	2,348
Chen Man		—	230	500	730	220	125	1,075
Zhao Jie		—	120	480	600	179	93	872
Wang Jing	(vi)	—	52	—	52	18	25	95
Wang Xiaoyu	(v)	—	38	115	153	46	31	230
Non-executive directors								
Li Dongjun		—	—	—	—	—	—	—
Zhang Caiguang		—	—	—	—	—	—	—
Wu Zhengkui		—	—	—	—	—	—	—
Zhu Xiaohui		—	—	—	—	—	—	—
Wang Chunjie		—	—	—	—	—	—	—
Gu Jie		—	—	—	—	—	—	—
Independent non-executive directors								
Jiang Daxing		210	—	—	210	—	—	210
Deng Xiaoyang		210	—	—	210	—	—	210
Niu Sihu		210	—	—	210	—	—	210
Jia Yuge		210	—	—	210	—	—	210
Jiang Jian		210	—	—	210	—	—	210
Choon Yew Khee		—	—	—	—	—	—	—
Supervisors								
Ning Yongfang		—	234	1,200	1,434	421	182	2,037
Xu Fei		—	120	480	600	179	93	872
Luo Yan		—	57	254	311	94	59	464
Shi Hongmiao		—	56	254	310	65	56	431
Li Xiu		—	42	180	222	68	47	337
Tian Deying		—	—	—	—	—	—	—
He Baosheng		—	—	—	—	—	—	—
Zhao Lanying		—	—	—	—	—	—	—
External supervisors								
Jing Fei		210	—	—	210	—	—	210
Chen Yingmei		210	—	—	210	—	—	210
Nie Ying		39	—	—	39	—	—	39
Li Tongyu		39	—	—	39	—	—	39
Zhao Hongxia		39	—	—	39	—	—	39
Total		1,587	1,183	4,903	7,673	1,776	899	10,348

There was no amount paid during the Relevant Periods to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Relevant Periods.

Note:

(i) Yue Lanying ceased to serve as the supervisor of the Bank from September 3, 2012.

(ii) Xue Xiaodong ceased to serve as the supervisor of the Bank from September 4, 2012.

(iii) At the Bank's Annual General Meeting held on October 14, 2014, Zhu Xiaohui, Wang Chunjie, and Gu Jie were elected as non-independent directors of the Bank, Choon Yew Khee were elected as independent non-executive directors of the Bank; Wang Jing, Wang Xiaoyu, He Baosheng, and Zeng Gang ceased to serve as the non-independent directors.

(iv) At the Bank's Annual General Meeting held on October 14, 2014, He Baosheng and Zhao Lanying were elected as supervisors of the Bank; Nie Ying, Li Tongyu and Zhao Hongxia were elected as external supervisors of the Bank; Luo Yan and Shi Hongmiao were elected as employee supervisors of the Bank; Xiao Yufen, Zhang Yuping, Liu Hongsheng, Cheng Chunmei, Peng Xiaobiao, Xu Fuchun, Yang Xiaofang, Zhang Weibin, and Zhao Min ceased to serve as the supervisors.

(v) Wang Xiaoyu was elected as executive directors of the Bank from January 16, 2015.

(vi) Wang Jing was elected as executive directors of the Bank from March 17, 2015.

The above person's compensations are calculated on the basis of their actual time acting as the Directors or Supervisors of the Bank.

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two are directors or supervisors of the Group for the years ended December 31, 2012, 2013, 2014 and six months ended June 30, 2015, whose emoluments are disclosed in Note 9.

The aggregate of the emoluments in respect of remaining individuals for the years ended December 31, 2012, 2013, 2014 and six months ended June 30, 2014 and 2015 are as follows:

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Salaries and other emoluments	3,155	3,284	860	1,170	395
Discretionary bonuses	2,164	2,217	4,604	3,053	3,594
Contributions to pension schemes	830	953	929	496	928
Others	338	391	504	277	515
	6,487	6,845	6,897	4,996	5,432

The number of these individuals whose emoluments are within the following bands is set out below:

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
HKD500,001-1,000,000	—	—	—	1	—
HKD1,000,001-1,500,000	—	—	—	3	—
HKD1,500,001-2,000,000	—	—	—	1	—
HKD2,000,001-2,500,000	1	—	1	—	2
HKD2,500,001-3,000,000	1	3	—	—	1
HKD3,000,001-3,500,000	1	—	2	—	—

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the Relevant Periods.

11 Impairment losses on assets

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Loans and advances to customers	298,617	273,175	706,266	98,458	1,299,366
Debt securities classified as receivables	—	—	78,266	5,421	235,370
Others	95	1,564	8,937	7,564	—
Total	298,712	274,739	793,469	111,443	1,534,736

12 Income tax

(a) *Income tax:*

		Years ended December 31,			Six months ended June 30,	
	Note	2012	2013	2014	2014	2015
					(unaudited)	
Current tax		398,881	378,560	901,519	315,221	749,698
Deferred tax	27(b)	(34,316)	25,223	(237,046)	(33,068)	(291,155)
Total		364,565	403,783	664,473	282,153	458,543

(b) ***Reconciliations between income tax and accounting profit are as follows:***

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Profit before tax	1,535,982	1,759,281	2,787,650	1,192,128	1,898,471
Statutory tax rate	25%	25%	25%	25%	25%
Income tax calculated at statutory tax rate	383,996	439,820	696,913	298,032	474,618
Non-deductible expenses					
— Staff costs	2,448	4,479	3,723	2,558	2,219
— Others	6,182	2,955	5,519	1,659	2,798
	8,630	7,434	9,242	4,217	5,017
Non-taxable income					
— Interest income from the PRC government bonds	(26,823)	(39,291)	(38,845)	(19,482)	(19,448)
— Others	(1,238)	(4,180)	(2,837)	(614)	(1,644)
Income tax	364,565	403,783	664,473	282,153	458,543

13 Basic and diluted earnings per share

		Years ended December 31,			Six months ended June 30,	
	Note	2012	2013	2014	2014	2015
					(unaudited)	
Weighted average number of ordinary shares (in thousands)	(i)	3,902,234	3,902,234	3,943,901	3,902,234	4,402,234
Net profit attributable to equity shareholders of the Bank		1,167,450	1,350,691	2,115,715	907,375	1,434,186
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.30	0.35	0.54	0.23	0.33

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the Relevant Periods.

(i) ***Weighted average number of ordinary shares (in thousands)***

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Number of ordinary shares as at January 1	3,772,234	3,902,234	3,902,234	3,902,234	4,402,234
New added weighted average number of ordinary shares	130,000	—	41,667	—	—
Weighted average number of ordinary shares	3,902,234	3,902,234	3,943,901	3,902,234	4,402,234

14 Cash and deposits with the central bank

The Group

		At December 31,			At June 30,
	Note	2012	2013	2014	2015
Cash on hand		390,810	415,394	555,363	493,145
Deposits with the central bank					
— Statutory deposit reserves	14(a)	15,672,959	20,998,391	26,148,798	25,535,017
— Surplus deposit reserves	14(b)	6,402,806	1,381,803	3,254,340	4,495,505
— Fiscal deposits		246,602	462,988	211,998	182,312
Sub-total		22,322,367	22,843,182	29,615,136	30,212,834
Total		22,713,177	23,258,576	30,170,499	30,705,979

The Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Cash on hand		386,789	407,741	542,654	478,795
Deposits with the central bank					
— Statutory deposit reserves	14(a)	15,578,579	20,863,252	25,911,666	25,251,519
— Surplus deposit reserves	14(b)	6,312,377	1,273,671	3,138,416	4,408,919
— Fiscal deposits		246,602	462,988	211,998	182,312
Sub-total		22,137,558	22,599,911	29,262,080	29,842,750
Total		22,524,347	23,007,652	29,804,734	30,321,545

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each of the Relevant Periods, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Reserve ratio for RMB deposits	18.0%	18.0%	17.5%	15.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%	5.0%	5.0%

The statutory deposit reserves are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15 **Deposits with banks and other financial institutions**

Analyzed by type and location of counterparty

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Deposits in mainland China				
— Banks	6,631,545	9,592,607	12,252,290	15,818,937
— Other financial institutions	2,003,000	15,659	3,000	3,011
Sub-total	8,634,545	9,608,266	12,255,290	15,821,948
Deposits outside mainland China				
— Banks	124,656	89,928	265,315	256,921
Sub-total	124,656	89,928	265,315	256,921
Total	8,759,201	9,698,194	12,520,605	16,078,869

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Deposits in mainland China				
— Banks	6,571,290	9,542,563	12,049,899	15,692,795
— Other financial institutions	2,003,000	15,659	3,000	3,011
Sub-total	8,574,290	9,558,222	12,052,899	15,695,806
Deposits outside mainland China				
— Banks	124,656	89,928	265,315	256,921
Sub-total	124,656	89,928	265,315	256,921
Total	8,698,946	9,648,150	12,318,214	15,952,727

16 Placements with banks and other financial institutions

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Placements in mainland China				
— Banks	—	1,980,592	—	912,321
Total	—	1,980,592	—	912,321

17 Financial assets at fair value through profit or loss

The Group

		At December 31,			At June 30,
	Note	2012	2013	2014	2015
Debt securities held for trading	17(a)	324,171	58,500	62,483	62,918
Financial assets designated at fair value through profit or loss	17(b)	—	—	9,927,769	14,350,180
Precious Metals		—	—	—	11,748
Total		324,171	58,500	9,990,252	14,424,846

The Bank

		At December 31,			At June 30,
	Note	2012	2013	2014	2015
Debt securities held for trading	17(a)	324,171	58,500	62,483	62,918
Financial assets designated at fair value through profit or loss	17(b)	—	—	9,927,769	14,450,373
Precious Metals		—	—	—	11,748
Total		324,171	58,500	9,990,252	14,525,039

(a) ***Debt securities held for trading***

The Group and the Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Issued by institutions in mainland China					
— Banks and other financial institutions		324,171	58,500	62,483	62,918
Total	(i)	324,171	58,500	62,483	62,918
Unlisted		324,171	58,500	62,483	62,918
Total		324,171	58,500	62,483	62,918

Note:

(i) As at the end of each of the Relevant Periods, no investments were subject to material restrictions on the realization.

(b) ***Financial assets designated at fair value through profit or loss***

Financial assets designated at fair value through profit or loss represented investments in debt securities, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under financial liabilities designated at fair value through profit or loss.

18 **Derivatives**

Derivative financial instruments include forward contracts undertaken by the Group in foreign currency markets. Starting from the period ended June 30, 2015, the Group uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

(a) ***Analysed by nature of contract***

The Group and the Bank

	At June 30, 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Currency derivatives			
— Foreign exchange forward	2,367,172	15,756	(21,650)

(b) ***Analysed by credit risk-weighted amounts***

The Group and the Bank

	At June 30, 2015
Currency derivatives	
— Foreign exchange forward	9,035

Note:

(i) The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions, which are calculated with reference to the guidelines issued by the CBRC.

19 **Financial assets held under resale agreements**

(a) ***Analyzed by type and location of counterparty***

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
In mainland China				
— Other financial institutions	1,147,177	—	—	—
Total	1,147,177	—	—	—

(b) ***Analyzed by type of security held***

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Debt securities				
— Corporations	270,000	—	—	—
Sub-total	270,000	—	—	—
Bank acceptances	470,000	—	—	—
Credit Assets	407,177	—	—	—
Total	1,147,177	—	—	—

20 **Interests receivable**

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Interests receivable from investments	289,004	443,466	753,797	1,221,721
Interests receivable from loans and advances to customers	170,259	172,503	357,350	337,926
Interests receivable from deposits and placements with banks and other financial institutions	76,927	57,894	449,011	207,460
Total	536,190	673,863	1,560,158	1,767,107

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Interests receivable from investments	289,004	443,466	753,797	1,221,721
Interests receivable from loans and advances to customers	168,414	169,736	352,783	331,527
Interests receivable from deposits and placements with banks and other financial institutions	76,867	57,708	448,614	206,765
Total	534,285	670,910	1,555,194	1,760,013

21 **Loans and advances to customers**

(a) ***Analyzed by nature***

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Corporate loans and advances	60,720,776	73,595,613	81,151,769	84,914,920
Personal loans and advances				
— Personal business loans	2,016,227	3,933,543	6,692,572	7,877,689
— Personal consumption loans	185,468	372,885	480,359	723,952
— Residential and commercial mortgage loans	86,832	151,209	230,712	281,412
— Credit cards	15,889	37,430	71,323	76,396
— Others	2,039	1,105	787	726
Sub-total	2,306,455	4,496,172	7,475,753	8,960,175
Discounted bills	171,831	181,464	171,738	243,287
Gross loans and advances to customers	63,199,062	78,273,249	88,799,260	94,118,382
Less: Provision for impairment losses				
— Individually assessed	(342,990)	(513,257)	(546,880)	(637,447)
— Collectively assessed	(1,074,995)	(1,031,202)	(1,703,586)	(2,911,714)
Total provision for impairment losses	(1,417,985)	(1,544,459)	(2,250,466)	(3,549,161)
Net loans and advances to customers	61,781,077	76,728,790	86,548,794	90,569,221

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Corporate loans and advances	60,500,456	73,182,992	80,335,462	83,927,419
Personal loans and advances				
— Personal business loans	1,745,591	3,498,460	5,971,467	6,822,672
— Personal consumption loans	185,468	372,885	443,087	700,055
— Residential and commercial mortgage loans	86,832	151,209	230,712	281,412
— Credit cards	15,889	37,430	71,323	76,396
— Others	2,039	1,105	787	726
Sub-total	2,035,819	4,061,089	6,717,376	7,881,261
Discounted bills	84,198	181,464	171,738	242,201
Gross loans and advances to customers	62,620,473	77,425,545	87,224,576	92,050,881
Less: Provision for impairment losses				
— Individually assessed	(342,990)	(512,798)	(537,842)	(625,411)
— Collectively assessed	(1,069,159)	(1,009,817)	(1,664,559)	(2,860,244)
Total provision for impairment losses	(1,412,149)	(1,522,615)	(2,202,401)	(3,485,655)
Net loans and advances to customers	61,208,324	75,902,930	85,022,175	88,565,226

(b) ***Analyzed by industry sector***

The Group

	At December 31, 2012		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	16,656,767	26.36%	6,998,848
Manufacturing	15,300,844	24.21%	6,362,820
Real estate	6,149,958	9.73%	5,442,958
Leasing and commercial services	3,780,245	5.98%	2,259,455
Water, environment and public utility management	3,082,531	4.88%	1,253,131
Education	3,048,710	4.82%	104,850
Construction	2,404,000	3.80%	1,998,000
Transportation, storage and postal services	1,968,368	3.11%	1,005,399
Agriculture, forestry, animal husbandry and fishery	1,747,763	2.77%	1,071,112
Public management and social organization	1,580,330	2.50%	356,660
Others	5,001,260	7.92%	2,414,995
Sub-total of corporate loans and advances	60,720,776	96.08%	29,268,228
Personal loans and advances	2,306,455	3.65%	1,365,105
Discounted bills	171,831	0.27%	—
Gross loans and advances to customers	63,199,062	100.00%	30,633,333
Less: Provision for impairment losses			
— Individually assessed	(342,990)		
— Collectively assessed	(1,074,995)		
Total provision for impairment losses	(1,417,985)		
Net loans and advances to customers	61,781,077		

The Group

	At December 31, 2013		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	20,912,424	26.72%	12,756,502
Manufacturing	19,895,409	25.42%	9,750,500
Real estate	7,971,663	10.18%	7,458,463
Leasing and commercial services	6,002,774	7.67%	3,592,359
Construction	2,955,282	3.78%	2,083,382
Education	2,785,200	3.56%	76,850
Water, environment and public utility management	1,958,000	2.50%	889,800
Transportation, storage and postal services	1,781,975	2.28%	1,060,868
Public management and social organization	1,728,350	2.21%	597,490
Agriculture, forestry, animal husbandry and fishery	1,580,068	2.02%	917,638
Others	6,024,468	7.69%	3,284,309
Sub-total of corporate loans and advances	73,595,613	94.03%	42,468,161
Personal loans and advances	4,496,172	5.74%	2,779,509
Discounted bills	181,464	0.23%	—
Gross loans and advances to customers	78,273,249	100.00%	45,247,670
Less: Provision for impairment losses			
— Individually assessed	(513,257)		
— Collectively assessed	(1,031,202)		
Total provision for impairment losses	(1,544,459)		
Net loans and advances to customers	76,728,790		

The Group

	At December 31, 2014		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	27,762,920	31.26%	17,200,858
Manufacturing	19,885,409	22.39%	9,891,307
Real estate	9,426,185	10.62%	8,967,185
Leasing and commercial services	5,466,601	6.16%	3,786,486
Construction	4,363,220	4.91%	2,647,420
Education	2,749,777	3.10%	64,150
Water, environment and public utility management	2,371,600	2.67%	1,300,650
Transportation, storage and postal services	2,345,794	2.64%	1,189,298
Agriculture, forestry, animal husbandry and fishery	1,207,849	1.36%	536,049
Public management and social organization	850,490	0.96%	331,990
Others	4,721,924	5.32%	2,788,145
Sub-total of corporate loans and advances	81,151,769	91.39%	48,703,538
Personal loans and advances	7,475,753	8.42%	5,308,978
Discounted bills	171,738	0.19%	—
Gross loans and advances to customers	88,799,260	100.00%	54,012,516
Less: Provision for impairment losses			
— Individually assessed	(546,880)		
— Collectively assessed	(1,703,586)		
Total provision for impairment losses	(2,250,466)		
Net loans and advances to customers	86,548,794		

The Group

	At June 30, 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	28,472,094	30.25%	16,547,323
Manufacturing	20,597,538	21.88%	11,133,909
Real estate	10,882,010	11.56%	10,174,950
Leasing and commercial services	7,280,797	7.74%	5,700,290
Construction	3,323,310	3.53%	2,008,010
Water, environment and public utility management	2,187,850	2.32%	1,415,900
Transportation, storage and postal services	2,153,192	2.29%	1,241,091
Education	1,987,713	2.11%	122,790
Public management and social organization	1,655,150	1.76%	538,890
Agriculture, forestry, animal husbandry and fishery	1,075,629	1.14%	646,480
Others	5,299,637	5.64%	3,503,269
Sub-total of corporate loans and advances	84,914,920	90.22%	53,032,902
Personal loans and advances	8,960,175	9.52%	6,587,141
Discounted bills	243,287	0.26%	—
Gross loans and advances to customers	94,118,382	100.00%	59,620,043
Less: Provision for impairment losses			
— Individually assessed	(637,447)		
— Collectively assessed	(2,911,714)		
Total provision for impairment losses	(3,549,161)		
Net loans and advances to customers	90,569,221		

The Bank

	At December 31, 2012		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	16,580,981	26.48%	6,948,911
Manufacturing	15,252,105	24.36%	6,333,665
Real estate	6,149,958	9.82%	5,442,958
Leasing and commercial services	3,780,245	6.04%	2,259,455
Water, environment and public utility management	3,082,531	4.92%	1,253,131
Education	3,048,710	4.87%	104,850
Construction	2,400,500	3.83%	1,994,500
Transportation, storage and postal services	1,968,368	3.14%	1,005,399
Agriculture, forestry, animal husbandry and fishery	1,659,168	2.65%	1,053,068
Public management and social organization	1,580,330	2.52%	356,660
Others	4,997,560	7.99%	2,414,495
Sub-total of corporate loans and advances	60,500,456	96.62%	29,167,092
Personal loans and advances	2,035,819	3.25%	1,192,221
Discounted bills	84,198	0.13%	—
Gross loans and advances to customers	62,620,473	100.00%	30,359,313
Less: Provision for impairment losses			
— Individually assessed	(342,990)		
— Collectively assessed	(1,069,159)		
Total provision for impairment losses	(1,412,149)		
Net loans and advances to customers	61,208,324		

The Bank

	At December 31, 2013		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	20,809,522	26.88%	12,743,100
Manufacturing	19,731,240	25.48%	9,661,500
Real estate	7,971,663	10.30%	7,458,463
Leasing and commercial services	6,002,774	7.75%	3,592,359
Construction	2,950,282	3.81%	2,079,782
Education	2,785,200	3.60%	76,850
Water, environment and public utility management	1,958,000	2.53%	889,800
Transportation, storage and postal services	1,781,975	2.30%	1,060,868
Public management and social organization	1,728,350	2.23%	597,490
Agriculture, forestry, animal husbandry and fishery	1,443,518	1.86%	825,818
Others	6,020,468	7.78%	3,284,309
Sub-total of corporate loans and advances	73,182,992	94.52%	42,270,339
Personal loans and advances	4,061,089	5.25%	2,544,230
Discounted bills	181,464	0.23%	—
Gross loans and advances to customers	77,425,545	100.00%	44,814,569
Less: Provision for impairment losses			
— Individually assessed	(512,798)		
— Collectively assessed	(1,009,817)		
Total provision for impairment losses	(1,522,615)		
Net loans and advances to customers	75,902,930		

The Bank

	At December 31, 2014		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	27,608,601	31.65%	17,123,258
Manufacturing	19,554,022	22.42%	9,718,320
Real estate	9,416,185	10.80%	8,967,185
Leasing and commercial services	5,458,601	6.26%	3,778,486
Construction	4,347,720	4.98%	2,633,420
Education	2,743,177	3.14%	57,850
Water, environment and public utility management	2,369,600	2.72%	1,300,650
Transportation, storage and postal services	2,321,396	2.66%	1,178,900
Agriculture, forestry, animal husbandry and fishery	1,005,646	1.15%	444,746
Public management and social organization	850,490	0.98%	331,990
Others	4,660,024	5.34%	2,759,645
Sub-total of corporate loans and advances	80,335,462	92.10%	48,294,450
Personal loans and advances	6,717,376	7.70%	4,856,679
Discounted bills	171,738	0.20%	—
Gross loans and advances to customers	87,224,576	100.00%	53,151,129
Less: Provision for impairment losses			
— Individually assessed	(537,842)		
— Collectively assessed	(1,664,559)		
Total provision for impairment losses	(2,202,401)		
Net loans and advances to customers	85,022,175		

The Bank

	At June 30, 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	28,323,574	30.77%	16,457,023
Manufacturing	20,208,014	21.95%	10,934,610
Real estate	10,872,010	11.81%	10,174,950
Leasing and commercial services	7,272,797	7.90%	5,692,290
Construction	3,303,310	3.59%	1,994,010
Water, environment and public utility management	2,187,850	2.38%	1,415,900
Transportation, storage and postal services	2,122,019	2.31%	1,223,918
Education	1,976,913	2.15%	121,290
Public management and social organization	1,655,150	1.80%	538,890
Agriculture, forestry, animal husbandry and fishery	849,595	0.92%	526,196
Others	5,156,187	5.60%	3,436,769
Sub-total of corporate loans and advances	83,927,419	91.18%	52,515,846
Personal loans and advances	7,881,261	8.56%	5,896,228
Discounted bills	242,201	0.26%	—
Gross loans and advances to customers	92,050,881	100.00%	58,412,074
Less: Provision for impairment losses			
— Individually assessed	(625,411)		
— Collectively assessed	(2,860,244)		
Total provision for impairment losses	(3,485,655)		
Net loans and advances to customers	88,565,226		

As at the end of each of the Relevant Periods and during the respective periods, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

The Group

	At December 31, 2012				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively Assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	408,959	(239,842)	(313,981)	(117,941)	—
Wholesale and retail trade	32,221	(22,605)	(235,407)	(82,252)	—

	At December 31, 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment (charged) / released during the year	Written-off during the year
Manufacturing	480,688	(382,354)	(305,680)	(274,151)	136,324
Wholesale and retail trade	53,934	(43,260)	(231,535)	(23,144)	—
Real estate	26,263	(11,143)	(95,591)	839	—

	At December 31, 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	601,357	(402,800)	(579,787)	(288,477)	—
Wholesale and retail trade	156,897	(76,190)	(244,855)	(45,787)	—
Real estate	26,128	(11,095)	(383,204)	(287,565)	—

The Group

	At June 30, 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	523,354	(428,914)	(802,142)	(249,141)	—
Wholesale and retail trade	260,909	(118,666)	(471,866)	(269,487)	—
Real estate	26,128	(12,842)	(736,648)	(355,191)	—

The Bank

	At December 31, 2012				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	408,959	(239,842)	(313,511)	(118,111)	—
Wholesale and retail trade	32,221	(22,605)	(234,723)	(82,143)	—

	At December 31, 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment (charged) / released during the year	Written-off during the year
Manufacturing	480,688	(382,354)	(301,523)	(270,865)	136,324
Wholesale and retail trade	52,406	(42,801)	(228,961)	(20,795)	—
Real estate	26,263	(11,143)	(95,591)	839	—

The Bank

	At December 31, 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	584,557	(396,467)	(571,691)	(284,538)	—
Wholesale and retail trade	155,397	(75,725)	(240,983)	(44,947)	—
Real estate	26,128	(11,095)	(382,954)	(287,315)	—

	At June 30, 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	504,055	(420,674)	(792,489)	(245,677)	—
Wholesale and retail trade	255,909	(117,477)	(468,218)	(268,987)	—
Real estate	26,128	(12,842)	(736,398)	(355,191)	—

(c) ***Analyzed by type of collateral***

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Unsecured loans	7,128,729	6,919,659	7,129,487	6,054,931
Guaranteed loans	25,437,000	26,105,920	27,657,257	28,443,408
Secured loans				
— By tangible assets other than monetary assets	27,348,903	35,737,846	41,546,242	45,846,266
— By monetary assets	3,284,430	9,509,824	12,466,274	13,773,777
Gross loans and advances to customers	63,199,062	78,273,249	88,799,260	94,118,382
Less: Provision for impairment losses				
— Individually assessed	(342,990)	(513,257)	(546,880)	(637,447)
— Collectively assessed	(1,074,995)	(1,031,202)	(1,703,586)	(2,911,714)
Total provision for impairment losses	(1,417,985)	(1,544,459)	(2,250,466)	(3,549,161)
Net loans and advances to customers	61,781,077	76,728,790	86,548,794	90,569,221

The Bank

	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Unsecured loans	7,041,096	6,919,659	7,129,487	6,034,845
Guaranteed loans	25,220,064	25,691,317	26,943,960	27,603,962
Secured loans				
— By tangible assets other than monetary assets	27,077,182	35,306,183	40,705,370	44,679,661
— By monetary assets	3,282,131	9,508,386	12,445,759	13,732,413
Gross loans and advances to customers	62,620,473	77,425,545	87,224,576	92,050,881
Less: Provision for impairment losses				
— Individually assessed	(342,990)	(512,798)	(537,842)	(625,411)
— Collectively assessed	(1,069,159)	(1,009,817)	(1,664,559)	(2,860,244)
Total provision for impairment losses	(1,412,149)	(1,522,615)	(2,202,401)	(3,485,655)
Net loans and advances to customers	61,208,324	75,902,930	85,022,175	88,565,226

(d) ***Overdue loans analyzed by overdue period***

The Group

	At December 31, 2012				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	420	251	549	472	1,692
Guaranteed loans	11,802	76,592	621	52,924	141,939
Secured loans					
— By tangible assets other than monetary assets	31,089	2,554	60,540	162,484	256,667
— By monetary assets	—	32	113	3,267	3,412
Total	43,311	79,429	61,823	219,147	403,710
As a percentage of gross loans and advances to customers	0.07%	0.13%	0.10%	0.34%	0.64%

The Group

	At December 31, 2013				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,015	146	189	622	1,972
Guaranteed loans	69,711	181,616	18,639	51,949	321,915
Secured loans					
— By tangible assets other than monetary assets	6,685	96,406	46,600	145,433	295,124
— By monetary assets	6,100	10,039	85	3,296	19,520
Total	83,511	288,207	65,513	201,300	638,531
As a percentage of gross loans and advances to customers	0.11%	0.37%	0.08%	0.26%	0.82%

	At December 31, 2014				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	31,074	147	178	546	31,945
Guaranteed loans	377,822	214,435	253,879	49,369	895,505
Secured loans					
— By tangible assets other than monetary assets	482,021	178,002	32,813	134,984	827,820
— By monetary assets	80,400	39,826	—	2,094	122,320
Total	971,317	432,410	286,870	186,993	1,877,590
As a percentage of gross loans and advances to customers	1.09%	0.49%	0.32%	0.21%	2.11%

The Group

	At June 30, 2015				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	9,569	353	169	510	10,601
Guaranteed loans	703,993	159,743	307,736	46,248	1,217,720
Secured loans					
— By tangible assets other than monetary assets	718,476	161,804	90,198	130,526	1,101,004
— By monetary assets	150,700	55,002	9,826	1,275	216,803
Total	1,582,738	376,902	407,929	178,559	2,546,128
As a percentage of gross loans and advances to customers	1.68%	0.40%	0.44%	0.19%	2.71%

The Bank

	At December 31, 2012				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	420	251	549	472	1,692
Guaranteed loans	6,802	76,592	621	52,924	136,939
Secured loans					
— By tangible assets other than monetary assets	31,089	2,554	60,540	162,484	256,667
— By monetary assets	—	32	113	3,267	3,412
Total	38,311	79,429	61,823	219,147	398,710
As a percentage of gross loans and advances to customers	0.06%	0.13%	0.10%	0.35%	0.64%

The Bank

	At December 31, 2013				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,015	146	189	622	1,972
Guaranteed loans	69,562	180,088	18,639	51,949	320,238
Secured loans					
— By tangible assets other than monetary assets	6,685	96,406	46,600	145,433	295,124
— By monetary assets	5,900	10,039	85	3,296	19,320
Total	83,162	286,679	65,513	201,300	636,654
As a percentage of gross loans and advances to customers	0.11%	0.37%	0.08%	0.26%	0.82%

	At December 31, 2014				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	31,074	147	178	546	31,945
Guaranteed loans	377,142	212,092	252,800	49,369	891,403
Secured loans					
— By tangible assets other than monetary assets	476,769	162,332	32,163	134,984	806,248
— By monetary assets	80,400	39,826	—	2,094	122,320
Total	965,385	414,397	285,141	186,993	1,851,916
As a percentage of gross loans and advances to customers	1.11%	0.48%	0.33%	0.20%	2.12%

The Bank

	At June 30, 2015				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	9,569	353	169	510	10,601
Guaranteed loans	674,219	140,564	306,094	46,248	1,167,125
Secured loans					
— By tangible assets other than monetary assets	696,562	148,277	77,666	130,526	1,053,031
— By monetary assets	150,700	55,002	9,826	1,275	216,803
Total	1,531,050	344,196	393,755	178,559	2,447,560
As a percentage of gross loans and advances to customers	1.66%	0.38%	0.43%	0.19%	2.66%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

(e) ***Loans and advances and provision for impairment losses***

The Group

	At December 31, 2012			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	62,606,959	592,103	63,199,062	0.94%
Less: Provision for impairment losses	(1,074,995)	(342,990)	(1,417,985)	
Net loans and advances to customers	61,531,964	249,113	61,781,077	

The Group

	At December 31, 2013			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	77,591,109	682,140	78,273,249	0.87%
Less: Provision for impairment losses	(1,031,202)	(513,257)	(1,544,459)	
Net loans and advances to customers	76,559,907	168,883	76,728,790	

	At December 31, 2014			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	87,920,613	878,647	88,799,260	0.99%
Less: Provision for impairment losses	(1,703,586)	(546,880)	(2,250,466)	
Net loans and advances to customers	86,217,027	331,767	86,548,794	

	At June 30, 2015			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	93,183,752	934,630	94,118,382	0.99%
Less: Provision for impairment losses	(2,911,714)	(637,447)	(3,549,161)	
Net loans and advances to customers	90,272,038	297,183	90,569,221	

The Bank

	At December 31, 2012			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	62,028,370	592,103	62,620,473	0.95%
Less: Provision for impairment losses	(1,069,159)	(342,990)	(1,412,149)	
Net loans and advances to customers	60,959,211	249,113	61,208,324	

	At December 31, 2013			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	76,744,933	680,612	77,425,545	0.88%
Less: Provision for impairment losses	(1,009,817)	(512,798)	(1,522,615)	
Net loans and advances to customers	75,735,116	167,814	75,902,930	

	At December 31, 2014			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	86,371,451	853,125	87,224,576	0.98%
Less: Provision for impairment losses	(1,664,559)	(537,842)	(2,202,401)	
Net loans and advances to customers	84,706,892	315,283	85,022,175	

The Bank

	At June 30, 2015			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	91,148,961	901,920	92,050,881	0.98%
Less: Provision for impairment losses	(2,860,244)	(625,411)	(3,485,655)	
Net loans and advances to customers	88,288,717	276,509	88,565,226	

Note:

(i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.

(ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.

(iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 48(a).

(f) ***Movements of provision for impairment losses***

The Group

	Year ended December 31, 2012		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	(832,682)	(291,420)	(1,124,102)
Charge for the year	(242,313)	(120,575)	(362,888)
Release for the year	—	64,271	64,271
Recoveries	—	(6,155)	(6,155)
Unwinding of discount	—	10,889	10,889
As at December 31	(1,074,995)	(342,990)	(1,417,985)

The Group

	Year ended December 31, 2013		
′	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	(1,074,995)	(342,990)	(1,417,985)
Charge for the year	—	(392,542)	(392,542)
Release for the year	43,793	75,574	119,367
Recoveries	—	(450)	(450)
Unwinding of discount	—	7,637	7,637
Write-offs	—	136,324	136,324
Transfer out	—	3,190	3,190
As at December 31	(1,031,202)	(513,257)	(1,544,459)

	Year ended December 31, 2014		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	(1,031,202)	(513,257)	(1,544,459)
Charge for the year	(672,384)	(154,912)	(827,296)
Release for the year	—	121,030	121,030
Recoveries	—	(5,921)	(5,921)
Unwinding of discount	—	6,180	6,180
As at December 31	(1,703,586)	(546,880)	(2,250,466)

The Group

	Six months ended June 30, 2015		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	(1,703,586)	(546,880)	(2,250,466)
Charge for the period	(1,208,128)	(145,948)	(1,354,076)
Release for the period	—	54,710	54,710
Recoveries	—	(733)	(733)
Unwinding of discount	—	1,404	1,404
As at June 30	(2,911,714)	(637,447)	(3,549,161)

The Bank

	Year ended December 31, 2012		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	(829,385)	(291,420)	(1,120,805)
Charge for the year	(239,774)	(120,575)	(360,349)
Release for the year	—	64,271	64,271
Recoveries	—	(6,155)	(6,155)
Unwinding of discount	—	10,889	10,889
As at December 31	(1,069,159)	(342,990)	(1,412,149)

The Bank

	Year ended December 31, 2013		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	(1,069,159)	(342,990)	(1,412,149)
Charge for the year	—	(392,083)	(392,083)
Release for the year	59,342	75,574	134,916
Recoveries	—	(450)	(450)
Unwinding of discount	—	7,637	7,637
Write-offs	—	136,324	136,324
Transfer out	—	3,190	3,190
As at December 31	(1,009,817)	(512,798)	(1,522,615)

	Year ended December 31, 2014		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	(1,009,817)	(512,798)	(1,522,615)
Charge for the year	(654,742)	(146,333)	(801,075)
Release for the year	—	121,030	121,030
Recoveries	—	(5,921)	(5,921)
Unwinding of discount	—	6,180	6,180
As at December 31	(1,664,559)	(537,842)	(2,202,401)

The Bank

	Six months ended June 30, 2015		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	(1,664,559)	(537,842)	(2,202,401)
Charge for the period	(1,195,685)	(141,510)	(1,337,195)
Release for the period	—	53,270	53,270
Recoveries	—	(733)	(733)
Unwinding of discount	—	1,404	1,404
As at June 30	(2,860,244)	(625,411)	(3,485,655)

(g) ***Analyzed by geographical sector***

The Group

	At December 31, 2012		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	39,117,417	61.90%	19,483,180
Northeastern China	13,751,892	21.76%	8,004,329
Northern China	10,329,753	16.34%	3,145,824
Gross loans and advances to customers	63,199,062	100.00%	30,633,333

	At December 31, 2013		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	46,193,640	59.02%	25,998,958
Northeastern China	19,012,158	24.29%	12,007,965
Northern China	13,067,451	16.69%	7,240,747
Gross loans and advances to customers	78,273,249	100.00%	45,247,670

The Group

	At December 31, 2014		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	52,113,914	58.69%	29,360,385
Northeastern China	21,145,843	23.81%	15,229,009
Northern China	15,539,503	17.50%	9,423,122
Gross loans and advances to customers	88,799,260	100.00%	54,012,516

	At June 30, 2015		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	55,793,629	59.28%	32,831,460
Northeastern China	20,862,094	22.17%	15,112,307
Northern China	17,462,659	18.55%	11,676,276
Gross loans and advances to customers	94,118,382	100.00%	59,620,043

The Bank

	At December 31, 2012		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	38,538,828	61.54%	19,209,160
Northeastern China	13,751,892	21.96%	8,004,329
Northern China	10,329,753	16.50%	3,145,824
Gross loans and advances to customers	62,620,473	100.00%	30,359,313

The Bank

	At December 31, 2013		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	45,345,936	58.57%	25,565,857
Northeastern China	19,012,158	24.55%	12,007,965
Northern China	13,067,451	16.88%	7,240,747
Gross loans and advances to customers	77,425,545	100.00%	44,814,569

	At December 31, 2014		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	50,539,230	57.94%	28,498,998
Northeastern China	21,145,843	24.24%	15,229,009
Northern China	15,539,503	17.82%	9,423,122
Gross loans and advances to customers	87,224,576	100.00%	53,151,129

	At June 30, 2015		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	53,726,128	58.37%	31,623,491
Northeastern China	20,862,094	22.66%	15,112,307
Northern China	17,462,659	18.97%	11,676,276
Gross loans and advances to customers	92,050,881	100.00%	58,412,074

As at the end of each of the Relevant Periods, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

The Group

	At December 31, 2012		
	Impaired loans and advances	**Individually assessed provision for impairment losses**	**Collectively assessed provision for impairment losses**
Jinzhou	414,443	(246,821)	(736,887)
Northeastern China	177,660	(96,169)	(198,268)
Northern China	—	—	(139,840)

	At December 31, 2013		
	Impaired loans and advances	**Individually assessed provision for impairment losses**	**Collectively assessed provision for impairment losses**
Jinzhou	350,127	(234,839)	(661,850)
Northeastern China	332,013	(278,418)	(231,904)
Northern China	—	—	(137,448)

	At December 31, 2014		
	Impaired loans and advances	**Individually assessed provision for impairment losses**	**Collectively assessed provision for impairment losses**
Jinzhou	279,186	(160,174)	(1,085,737)
Northeastern China	445,821	(319,565)	(439,847)
Northern China	153,640	(67,141)	(178,002)

The Group

	At June 30, 2015		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	244,873	(160,890)	(1,820,770)
Northeastern China	451,398	(368,098)	(728,617)
Northern China	238,359	(108,459)	(362,327)

The Bank

	At December 31, 2012		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	414,443	(246,821)	(731,051)
Northeastern China	177,660	(96,169)	(198,268)
Northern China	—	—	(139,840)

	At December 31, 2013		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	348,599	(234,380)	(640,465)
Northeastern China	332,013	(278,418)	(231,904)
Northern China	—	—	(137,448)

The Bank

	At December 31, 2014		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	253,664	(151,136)	(1,046,710)
Northeastern China	445,821	(319,565)	(439,847)
Northern China	153,640	(67,141)	(178,002)

	At June 30, 2015		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	212,163	(148,854)	(1,769,300)
Northeastern China	451,398	(368,098)	(728,617)
Northern China	238,359	(108,459)	(362,327)

The definitions of the regional distributions are set out in Note 47(b).

22 **Available-for-sale financial assets**

The Group and the Bank

		At December 31,			At June 30,
	Note	2012	2013	2014	2015
Available-for-sale debt investments	22(a)	9,760,166	14,884,218	17,197,995	16,818,381
Available-for-sale equity investments	22(b)	58,250	58,250	58,250	58,250
Total		9,818,416	14,942,468	17,256,245	16,876,631
Unlisted		9,818,416	14,942,468	17,256,245	16,876,631
Total		9,818,416	14,942,468	17,256,245	16,876,631

(a) ***Available-for-sale debt investments***

All available-for-sale debt investments were stated at fair value and issued by the following institutions:

The Group and the Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
In mainland China					
— Government		30,076	—	—	—
— Banks and other financial institutions		5,605,958	11,065,445	12,986,626	12,331,045
— Corporations		4,124,132	3,818,773	4,211,369	4,487,336
Total	(i)	9,760,166	14,884,218	17,197,995	16,818,381

Note:

(i) As at the end of each of the Relevant Periods, part of the available-for-sale financial assets was pledged for repurchase agreements (Note 29(a)).

(b) ***Available-for-sale equity investments***

Available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less impairment losses, if any.

23 Held-to-maturity investments

Analyzed by type and location of issuers

The Group and the Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Debt securities issued by the following institutions in mainland China					
— Government		4,966,980	4,768,833	4,770,545	4,721,525
— Banks and other financial institutions		2,859,005	2,719,217	2,519,397	4,047,026
— Corporations		99,482	99,573	49,650	1,522,067
Total carrying value	23(a)	7,925,467	7,587,623	7,339,592	10,290,618
Unlisted		7,925,467	7,587,623	7,339,592	10,290,618
Fair value		7,850,722	7,089,051	7,283,142	10,316,486

Note:

(a) As at the end of each of the Relevant Periods, part of the held-to-maturity investments was pledged as security for repurchase agreements (Note 29(a)).

(b) The Group has not disposed of any held-to-maturity debt investments prior to their maturity dates during the Relevant Periods.

24 Debt securities classified as receivables

The Group

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Wealth management products issued by financial institutions	24(a)	1,660,000	3,271,844	2,773,195	8,863,474
Beneficial interest transfer plans	24(b)/(c)	4,300,000	32,149,344	76,561,529	116,235,360
Gross balance		5,960,000	35,421,188	79,334,724	125,098,834
Less: Provision for impairment losses		—	—	(78,266)	(313,636)
Net balance		5,960,000	35,421,188	79,256,458	124,785,198

The Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Wealth management products issued by financial institutions	24(a)	1,660,000	3,271,844	2,773,195	8,863,474
Beneficial interest transfer plans	24(b)/(c)	4,300,000	32,149,344	76,561,529	116,135,360
Gross balance		5,960,000	35,421,188	79,334,724	124,998,834
Less: Provision for impairment losses		—	—	(78,266)	(313,636)
Net balance		5,960,000	35,421,188	79,256,458	124,685,198

Note:

(a) Wealth management products issued by financial institutions are fixed-term products.

(b) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, security companies, insurance companies and asset management companies. In May and June 2015, the Group sold part of the investments in the beneficial interest transfer plans related to two group borrowers with an aggregate outstanding balance of RMB14,165 million and accrued interest receivable of RMB97 million. The total consideration received by the Group amounted to RMB14,262 million. In July 2015, the Group subsequently bought back one of the investments in beneficial interest transfer plan amounted to RMB987 million, which was previously sold in June 2015, at a consideration of RMB993 million. In August 2015, the Group sold part of the investments in the beneficial interest transfer plans in the same group borrowers with an aggregate outstanding balance of RMB1,900 million and accrued interest receivable of RMB37 million. The total consideration received by the Group amounted to RMB1,937 million.

(c) As at the end of each of the Relevant Periods, part of investments in beneficial interest transfer plans held by the Bank were under forward sale contracts with financial institutions in mainland China, the notional amount of which was RMB4,300 million, RMB16,715 million, RMB4,860 million and RMB3,670 million, respectively.

25 Investments in subsidiaries

The Bank

	Note	At December 31, 2012	2013	2014	At June 30, 2015
Taihe Yimin Village Bank Co., Ltd. ("錦州太和益民村鎮銀行股份有限公司")	25(a)	24,750	47,250	60,450	60,450
Yixian Xianghe Village Bank Co., Ltd. ("遼寧義縣祥和村鎮銀行股份有限公司")	25(b)	29,150	49,600	63,240	63,240
Beizhen Yimin Village Bank Co., Ltd. ("錦州北鎮益民村鎮銀行股份有限公司")	25(c)	28,430	34,890	49,290	49,290
Heishan Jinhang Village Bank Co., Ltd. ("遼寧黑山錦行村鎮銀行股份有限公司")	25(d)	—	—	57,750	57,750
Total		82,330	131,740	230,730	230,730

Note:

(a) Taihe Yimin Village Bank Co., Ltd. ("Taihe Yimin") was incorporated on January 28, 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Yimin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Yimin. The financial statements of Taihe Yimin for the years ended December 31, 2012, 2013 and 2014 were audited by RSM China Certified Public Accountants, Ruihua Certified Public Accountants and KPMG Huazhen LLP, respectively.

(b) Yixian Xianghe Village Bank Co., Ltd. ("Yixian Xianghe") was incorporated on November 26, 2010 at Jinzhou, Liaoning Province, with registered capital of RMB108.49 million. The principal activities of Yixian Xianghe are the provision of corporate and retail banking services. The Bank holds 58.29% of equity interest and voting rights of Yixian Xianghe. The financial statements of Yixian Xianghe for the years ended December 31, 2012, 2013 and 2014 were audited by RSM China Certified Public Accountants, Ruihua Certified Public Accountants and KPMG Huazhen LLP, respectively.

(c) Beizhen Yimin Village Bank Co., Ltd. ("Beizhen Yimin") was incorporated on March 2, 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Yimin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest of Beizhen Yimin. According to the acting in concert arrangement between the Bank and certain other shareholders with 45.8% equity interest of Beizhen Yimin, Beizhen Yimin was deemed to be controlled by the Bank and was a subsidiary of the Bank. The financial statements of Beizhen Yimin for the years ended December 31, 2012, 2013 and 2014 were audited by RSM China Certified Public Accountants, Ruihua Certified Public Accountants and KPMG Huazhen LLP, respectively.

(d) Heishan Jinhang Village Bank Co., Ltd. ("Heishan Jinhang") was incorporated on January 28, 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinhang are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest of Heishan Jinhang. According to the acting in concert arrangement between the Bank and certain other shareholders with 18.06% equity interest of Heishan Jinhang, Heishan Jinhang was deemed to be controlled by the Bank and was a subsidiary of the Bank. The financial statements for the year ended December 31, 2014 were audited by KPMG Huazhen LLP.

26 Property and equipment

The Group

	Premises	Investment properties	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost							
As at January 1, 2012	3,099,911	72,886	64,007	69,450	52,162	294,739	3,653,155
Additions	282,825	—	214,419	8,530	954	101,977	608,705
Transfers in / (out) of construction in progress	151,900	—	(185,576)	—	33,676	—	—
Transfers out to other assets	—	—	(35,001)	—	—	—	(35,001)
Disposals	(5,905)	—	—	—	—	(9,829)	(15,734)
As at December 31, 2012	3,528,731	72,886	57,849	77,980	86,792	386,887	4,211,125
As at January 1, 2013	3,528,731	72,886	57,849	77,980	86,792	386,887	4,211,125
Additions	41,635	—	601,125	7,682	2,420	63,978	716,840
Transfers in / (out) of Construction in progress	308,784	—	(339,379)	—	30,595	—	—
Transfers in / (out) of investment properties	8,063	(8,063)	—	—	—	—	—
Transfers out to other assets	—	—	(12,984)	—	—	—	(12,984)
Disposals	(4,616)	—	—	(24,296)	—	—	(28,912)
As at December 31, 2013	3,882,597	64,823	306,611	61,366	119,807	450,865	4,886,069
As at January 1, 2014	3,882,597	64,823	306,611	61,366	119,807	450,865	4,886,069
Additions	534,643	—	597,441	5,174	3,355	73,866	1,214,479
Transfers in / (out) of construction in progress	628,547	—	(638,692)	—	10,145	—	—
Transfers (out) / in of investment properties	(3,440)	3,440	—	—	—	—	—
Transfers out to other assets	—	—	(22,763)	—	—	—	(22,763)
Disposals	(6,501)	—	—	(941)	—	(7,050)	(14,492)
As at December 31, 2014	5,035,846	68,263	242,597	65,599	133,307	517,681	6,063,293
As at January 1, 2015	5,035,846	68,263	242,597	65,599	133,307	517,681	6,063,293
Additions	28,032	—	205,285	1,456	1,791	20,474	257,038
Transfers in / (out) of construction in progress	170,466	—	(184,726)	—	14,260	—	—
Transfers in / (out) of leasehold improvements	736	—	—	—	(775)	—	(39)
Transfers out to other assets	—	—	(18,170)	—	—	—	(18,170)
As at June 30, 2015	5,235,080	68,263	244,986	67,055	148,583	538,155	6,302,122

The Group

	Premises	Investment properties	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Accumulated depreciation							
As at January 1, 2012	(218,513)	(8,227)	—	(33,894)	(9,844)	(130,127)	(400,605)
Charge for the year	(102,589)	(1,778)	—	(10,444)	(7,761)	(47,308)	(169,880)
Disposals	1,930	—	—	—	—	9,195	11,125
As at December 31, 2012	(319,172)	(10,005)	—	(44,338)	(17,605)	(168,240)	(559,360)
As at January 1, 2013	(319,172)	(10,005)	—	(44,338)	(17,605)	(168,240)	(559,360)
Charge for the year	(118,038)	(1,664)	—	(9,967)	(10,080)	(64,042)	(203,791)
Transfers (in) / out of investment properties	(1,108)	1,108	—	—	—	—	—
Disposals	895	—	—	17,607	—	—	18,502
As at December 31, 2013	(437,423)	(10,561)	—	(36,698)	(27,685)	(232,282)	(744,649)
As at January 1, 2014	(437,423)	(10,561)	—	(36,698)	(27,685)	(232,282)	(744,649)
Charge for the year	(135,835)	(1,705)	—	(8,236)	(13,413)	(72,610)	(231,799)
Transfers out /(in) of investment properties	816	(816)	—	—	—	—	—
Disposals	3,049	—	—	893	—	6,718	10,660
As at December 31, 2014	(569,393)	(13,082)	—	(44,041)	(41,098)	(298,174)	(965,788)
As at January 1, 2015	(569,393)	(13,082)	—	(44,041)	(41,098)	(298,174)	(965,788)
Charge for the year/period	(84,942)	(857)	—	(3,937)	(7,328)	(34,499)	(131,563)
Transfers out of leasehold improvements	—	—	—	—	39	—	39
As at June 30, 2015	(654,335)	(13,939)	—	(47,978)	(48,387)	(332,673)	(1,097,312)
Net book value							
As at December 31, 2012	3,209,559	62,881	57,849	33,642	69,187	218,647	3,651,765
As at December 31, 2013	3,445,174	54,262	306,611	24,668	92,122	218,583	4,141,420
As at December 31, 2014	4,466,453	55,181	242,597	21,558	92,209	219,507	5,097,505
As at June 30, 2015	4,580,745	54,324	244,986	19,077	100,196	205,482	5,204,810

The Bank

	Premises	Investment properties	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost							
As at January 1, 2012	3,055,161	83,660	64,007	67,873	51,287	287,534	3,609,522
Additions	282,416	—	214,419	8,531	954	101,808	608,128
Transfers in / (out) of construction in progress	151,900	—	(185,576)	—	33,676	—	—
Transfers out to other assets	—	—	(35,001)	—	—	—	(35,001)
Disposals	(5,905)	(10,774)	—	—	—	(9,829)	(26,508)
As at December 31, 2012	3,483,572	72,886	57,849	76,404	85,917	379,513	4,156,141
As at January 1, 2013	3,483,572	72,886	57,849	76,404	85,917	379,513	4,156,141
Additions	16,305	—	601,125	7,289	2,421	62,338	689,478
Transfers in / (out) of construction in progress	308,784	—	(339,379)	—	30,595	—	—
Transfers in / (out) of investment properties	8,063	(8,063)	—	—	—	—	—
Transfers out to other assets	—	—	(12,984)	—	—	—	(12,984)
Disposals	(7,422)	—	—	(24,296)	—	—	(31,718)
As at December 31, 2013	3,809,302	64,823	306,611	59,397	118,933	441,851	4,800,917
As at January 1, 2014	3,809,302	64,823	306,611	59,397	118,933	441,851	4,800,917
Additions	486,070	—	590,660	4,777	663	60,379	1,142,549
Transfers in / (out) of construction in progress	628,547	—	(638,692)	—	10,145	—	—
Transfers (out) / in of investment properties	(3,440)	3,440	—	—	—	—	—
Transfers out to other assets	—	—	(22,763)	—	—	—	(22,763)
Disposals	(6,500)	—	—	(941)	—	(7,050)	(14,491)
As at December 31, 2014	4,913,979	68,263	235,816	63,233	129,741	495,180	5,906,212
As at January 1, 2015	4,913,979	68,263	235,816	63,233	129,741	495,180	5,906,212
Additions	18,788	—	203,339	1,207	—	19,080	242,414
Transfers in / (out) of construction in progress	161,739	—	(175,999)	—	14,260	—	—
Transfers out to other assets	—	—	(18,170)	—	—	—	(18,170)
As at June 30, 2015	5,094,506	68,263	244,986	64,440	144,001	514,260	6,130,456

The Bank

	Premises	Investment properties	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Accumulated depreciation							
As at January 1, 2012	(216,752)	(8,720)	—	(33,595)	(9,751)	(128,554)	(397,372)
Charge for the year	(100,985)	(1,994)	—	(10,143)	(7,672)	(45,935)	(166,729)
Disposals	1,930	709	—	—	—	9,195	11,834
As at December 31, 2012	(315,807)	(10,005)	—	(43,738)	(17,423)	(165,294)	(552,267)
As at January 1, 2013	(315,807)	(10,005)	—	(43,738)	(17,423)	(165,294)	(552,267)
Charge for the year	(116,169)	(1,664)	—	(9,635)	(9,991)	(62,550)	(200,009)
Transfers (in) / out of investment properties	(1,108)	1,108	—	—	—	—	—
Disposals	1,448	—	—	17,607	—	—	19,055
As at December 31, 2013	(431,636)	(10,561)	—	(35,766)	(27,414)	(227,844)	(733,221)
As at January 1, 2014	(431,636)	(10,561)	—	(35,766)	(27,414)	(227,844)	(733,221)
Charge for the year	(132,551)	(1,705)	—	(7,856)	(13,203)	(69,957)	(225,272)
Transfers out/ (in) of investment properties	816	(816)	—	—	—	—	—
Disposals	3,049	—	—	893	—	6,718	10,660
As at December 31, 2014	(560,322)	(13,082)	—	(42,729)	(40,617)	(291,083)	(947,833)
As at January 1, 2015	(560,322)	(13,082)	—	(42,729)	(40,617)	(291,083)	(947,833)
Charge for the period	(82,847)	(857)	—	(3,706)	(7,049)	(32,831)	(127,290)
As at June 30, 2015	(643,169)	(13,939)	—	(46,435)	(47,666)	(323,914)	(1,075,123)
Net book value							
As at December 31, 2012	3,167,765	62,881	57,849	32,666	68,494	214,219	3,603,874
As at December 31, 2013	3,377,666	54,262	306,611	23,631	91,519	214,007	4,067,696
As at December 31, 2014	4,353,657	55,181	235,816	20,504	89,124	204,097	4,958,379
As at June 30, 2015	4,451,337	54,324	244,986	18,005	96,335	190,346	5,055,333

As at the end of each of the Relevant Periods, the net book values of premises of which title deeds were not yet finalised were RMB1,131 million, RMB1,256 million, RMB1,602 million and RMB1,859 million, respectively. Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were RMB605 million, RMB685 million, RMB540 million, and RMB741 million, respectively. According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises.

The net book values of premises at the end of each of the Relevant Periods are analyzed by the remaining terms of the leases as follows:

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Held in mainland China				
— Long term leases (over 50 years)	86,488	89,530	86,755	85,369
— Medium term leases (10 - 50 years)	3,113,160	3,346,070	4,370,462	4,486,308
— Short term leases (less than 10 years)	9,911	9,574	9,236	9,068
Total	3,209,559	3,445,174	4,466,453	4,580,745

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Held in mainland China				
— Long term leases (over 50 years)	86,488	89,530	86,755	85,369
— Medium term leases (10 - 50 years)	3,071,366	3,278,562	4,257,666	4,356,900
— Short term leases (less than 10 years)	9,911	9,574	9,236	9,068
Total	3,167,765	3,377,666	4,353,657	4,451,337

The net book values of investment properties at the end of each of the Relevant Periods are analyzed by the remaining terms of the leases as follows:

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Held in mainland China				
— Medium term leases (10 - 50 years)	62,881	54,262	55,067	54,224
— Short term leases (less than 10 years)	—	—	114	100
Total	62,881	54,262	55,181	54,324

27 **Deferred tax assets and liabilities**

(a) ***Analyzed by nature***

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Deferred tax assets	229,557	432,078	399,966	667,346
Deferred tax liabilities	—	—	—	—
Net balances	229,557	432,078	399,966	667,346

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Deferred tax assets	228,784	426,878	389,170	654,210
Deferred tax liabilities	—	—	—	—
Net balances	228,784	426,878	389,170	654,210

(b) ***Movements of deferred tax***

The Group

	Provision for impairment losses	Staff cost payable	Net losses / (gains) from fair value changes of financial instruments	Others	Net balance of deferred tax assets
	Note (i)		*Note (ii)*		
January 1, 2012	125,813	57,932	(3,081)	458	181,122
Recognized in profit or loss	39,535	(2,295)	(3,130)	206	34,316
Recognized in other comprehensive income	—	—	14,119	—	14,119
December 31, 2012	165,348	55,637	7,908	664	229,557
Recognized in profit or loss	(26,181)	(2,340)	1,418	1,880	(25,223)
Recognized in other comprehensive income	—	—	227,744	—	227,744
December 31, 2013	139,167	53,297	237,070	2,544	432,078
Recognized in profit or loss	233,914	707	113	2,312	237,046
Recognized in other comprehensive income	—	—	(269,158)	—	(269,158)
December 31, 2014	373,081	54,004	(31,975)	4,856	399,966
Recognized in profit or loss	312,398	(10,084)	(13,159)	2,000	291,155
Recognized in other comprehensive income	—	—	(23,775)	—	(23,775)
June 30, 2015	685,479	43,920	(68,909)	6,856	667,346

The Bank

	Provision for impairment losses	Staff cost payable	Net losses / (gains) from fair value changes of financial instruments	Others	Net balance of deferred tax assets
	Note (i)		*Note (ii)*		
January 1, 2012	125,153	57,727	(3,081)	253	180,052
Recognized in profit or loss	40,183	(2,365)	(3,130)	(75)	34,613
Recognized in other comprehensive income	—	—	14,119	—	14,119
December 31, 2012	165,336	55,362	7,908	178	228,784
Recognized in profit or loss	(29,902)	(2,503)	1,418	1,337	(29,650)
Recognized in other comprehensive income	—	—	227,744	—	227,744
December 31, 2013	135,434	52,859	237,070	1,515	426,878
Recognized in profit or loss	229,319	414	113	1,604	231,450
Recognized in other comprehensive income	—	—	(269,158)	—	(269,158)
December 31, 2014	364,753	53,273	(31,975)	3,119	389,170
Recognized in profit or loss	309,800	(9,818)	(13,159)	1,992	288,815
Recognized in other comprehensive income	—	—	(23,775)	—	(23,775)
June 30, 2015	674,553	43,455	(68,909)	5,111	654,210

Note:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the Relevant Periods. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the Relevant Periods, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realized.

28 Other assets

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Long-term deferred expense	198,818	156,126	193,246	171,695
Intangible assets	92,163	101,284	113,506	124,425
Repossessed assets	66,433	79,122	77,020	77,020
Prepayments for acquisition of property and equipment	5,603	45,351	52,302	120,075
Deferred expense	35,700	42,141	55,514	45,694
Land use right	31,878	30,828	29,673	29,198
Other receivables	17,514	135,706	31,385	72,015
Total	448,109	590,558	552,646	640,122

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Long-term deferred expense	198,812	156,087	192,303	169,248
Intangible assets	90,362	101,284	113,421	124,344
Repossessed assets	66,433	79,122	77,020	77,020
Prepayments for acquisition of property and equipment	5,603	45,351	52,302	120,075
Deferred expense	35,224	41,606	54,725	45,134
Land use right	31,878	30,828	29,673	29,198
Other receivables	16,251	111,014	31,583	64,500
Total	444,563	565,292	551,027	629,519

29 Pledged assets

(a) *Assets pledged as collaterals*

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include discounted bills and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at the end of each of the Relevant Periods is RMB6,075 million, RMB8,972 million, RMB10,376 million and RMB11,769 million, respectively.

(b) ***Received pledged assets***

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of each of the Relevant Periods, the Group did not hold any resale agreement under which collaterals were permitted to be sold or repledged in the absence of the counterparty's default.

30 Deposits from banks and other financial institutions

Analyzed by type and location of counterparty

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Deposits in mainland China				
— Banks	8,186,375	31,638,067	49,665,269	76,820,798
— Other financial institutions	11,972,555	20,753,109	32,792,355	30,219,785
Total	20,158,930	52,391,176	82,457,624	107,040,583

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Deposits in mainland China				
— Banks	8,229,762	31,717,743	49,937,934	77,241,210
— Other financial institutions	11,972,555	20,753,109	32,792,355	30,219,785
Total	20,202,317	52,470,852	82,730,289	107,460,995

31 Placements from banks and other financial institutions

Analyzed by type and location of counterparty

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Placements in mainland China				
— Banks	728,872	2,779,582	3,044,677	4,700,249
— Other financial institutions	—	200,000	—	—
Sub-total	728,872	2,979,582	3,044,677	4,700,249
Placements outside mainland China				
— Banks	43,999	50,308	—	—
Sub-total	43,999	50,308	—	—
Total	772,871	3,029,890	3,044,677	4,700,249

32 Financial assets sold under repurchase agreements

(a) ***Analyzed by type and location of counterparty***

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
In mainland China				
— Banks	5,623,400	6,555,600	9,573,000	11,561,900
— Other financial institutions	388,000	2,478,800	686,000	—
Total	6,011,400	9,034,400	10,259,000	11,561,900

(b) ***Analyzed by collateral***

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Debt securities	6,011,400	8,779,500	10,259,000	11,561,900
Bank acceptances	—	254,900	—	—
Total	6,011,400	9,034,400	10,259,000	11,561,900

33 **Deposits from customers**

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Demand deposits				
— Corporate customers	22,225,509	21,535,035	24,109,326	20,657,722
— Individual customers	9,401,867	11,198,761	10,695,799	9,550,889
Sub-total	31,627,376	32,733,796	34,805,125	30,208,611
Time deposits				
— Corporate customers	14,864,119	18,275,233	31,417,909	41,007,079
— Individual customers	26,234,166	29,318,670	33,795,940	42,029,976
Sub-total	41,098,285	47,593,903	65,213,849	83,037,055
Pledged deposits				
— Acceptances	8,819,557	11,483,842	13,956,452	20,980,914
— Letters of credit	1,110,890	677,616	1,462,614	1,975,536
— Letters of guarantees	71,902	171,788	755,769	926,421
— Others	13,090	19,647	6,697	21,469
Sub-total	10,015,439	12,352,893	16,181,532	23,904,340
Inward and outward remittances	45,217	83,996	36,291	77,559
Structured deposits	—	—	3,166,200	12,802,400
Total	82,786,317	92,764,588	119,402,997	150,029,965

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Demand deposits				
— Corporate customers	21,971,931	21,319,212	23,954,803	20,404,196
— Individual customers	9,339,487	11,016,066	10,571,343	9,392,386
Sub-total	31,311,418	32,335,278	34,526,146	29,796,582
Time deposits				
— Corporate customers	14,859,119	18,250,053	31,380,359	40,924,679
— Individual customers	25,839,522	28,732,363	32,296,523	39,888,638
Sub-total	40,698,641	46,982,416	63,676,882	80,813,317
Pledged deposits				
— Acceptances	8,819,557	11,483,842	13,956,452	20,980,914
— Letters of credit	1,110,890	677,616	1,462,614	1,975,536
— Letters of guarantees	67,541	166,940	749,954	920,211
— Others	13,090	19,647	6,697	21,469
Sub-total	10,011,078	12,348,045	16,175,717	23,898,130
Inward and outward remittances	45,217	83,996	36,291	77,559
Structured deposits	—	—	3,166,200	12,802,400
Total	82,066,354	91,749,735	117,581,236	147,387,988

34 **Accrued staff costs**

The Group

		At December 31,			At June 30,
	Note	2012	2013	2014	2015
Salary and welfare payable		64,107	92,331	104,100	75,941
Pension payable	34(a)	14,171	23,687	32,600	33,118
Supplementary retirement benefits payable	34(b)	21,156	19,425	24,409	26,444
Other long-term staff welfare payable	34(c)	155,420	127,553	116,836	111,501
Total		254,854	262,996	277,945	247,004

The Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Salary and welfare payable		62,248	88,714	99,828	73,275
Pension payable	34(a)	12,575	20,924	29,311	29,223
Supplementary retirement benefits payable	34(b)	21,156	19,425	24,409	26,444
Other long-term staff welfare payable	34(c)	155,420	127,553	116,836	111,501
Total		251,399	256,616	270,384	240,443

(a) ***Pension scheme***

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

(b) ***Supplementary retirement benefits ("SRB")***

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the Relevant Periods. The Group's obligations in respect of the SRB were assessed using expected cumulative unit credit method by qualified staff (a member of Society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of SRB of the Group are as follows:

	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Present value of SRB obligation	21,156	19,425	24,409	26,444

(ii) Movements of SRB of the Group are as follows:

	At December 31,			At June 30,
	2012	2013	2014	2015
As at January 1	21,091	21,156	19,425	24,409
Service cost	606	591	512	346
Interest cost	887	942	1,007	513
Actuarial losses/ (gains)	(1,024)	(2,791)	3,916	1,176
Payments made	(404)	(473)	(451)	—
As at December 31/June 30	21,156	19,425	24,409	26,444

Interest cost was recognized in staff costs, see Note 8.

(iii) Principal actuarial assumptions of the Group are as follow:

	At December 31,			At June 30,
	2012	2013	2014	2015
Discount rate	4.50%	5.25%	4.25%	4.00%
Mortality	CLA00-03	CLA00-03	CLA00-03	CLA00-03
Demission Rate	2.00%	2.00%	2.00%	2.00%
Normal retirement age				
— Male	60	60	60	60
— Female	55	55	55	55

(iv) Sensitivity analysis:

	December 31, 2012		December 31, 2013		December 31, 2014		June 30, 2015	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(3,310)	4,270	(3,039)	3,921	(3,965)	5,152	(4,296)	5,582
Demission rate (1% movement)	(1,331)	1,546	(1,222)	1,419	(1,618)	1,881	(1,753)	2,038

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

(c) ***Other long-term staff welfare payable***

The Group pays compensation for long-term absence of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the Relevant Periods. The Group's obligations in respect of other long-term staff welfare payable were assessed using expected cumulative unit credit method by qualified staff (a member of Society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of other long-term staff welfare payable of the Group are as follows:

	At December 31,			At June 30,
	2012	2013	2014	2015
Present value of other long-term staff welfare payable obligation	155,420	127,553	116,836	111,501

(ii) Movements of other long-term staff welfare of the Group are as follows:

	At December 31,			At June 30,
	2012	2013	2014	2015
As at January 1	177,196	155,420	127,553	116,836
Service cost	—	—	4,283	—
Interest cost	4,944	4,648	5,257	1,864
Actuarial (loss)/gains	(1,966)	(7,729)	(573)	1,366
Payments made	(24,754)	(24,786)	(19,684)	(8,565)
As at December 31/June 30	155,420	127,553	116,836	111,501

Interest cost was recognized in staff costs, see Note 8.

(iii) Principal actuarial assumptions of the Group are as follow:

	At December 31,			At June 30,
	2012	2013	2014	2015
Discount rate	3.25%	4.50%	3.50%	3.25%
Mortality	CLA00-03	CLA00-03	CLA00-03	CLA00-03
Early retirement wage growth rate	4.00%	4.00%	4.00%	4.00%

(iv) Sensitivity analysis:

	December 31, 2012		December 31, 2013		December 31, 2014		June 30, 2015	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(6,851)	7,574	(5,622)	6,216	(5,181)	5,731	(4,944)	5,469
Early retirement wage growth rate (1% movement)	6,625	(6,111)	5,437	(5,015)	4,982	(4,595)	4,755	(4,386)

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

Except as mentioned in (a), (b) and (c) above, the Group has no significant responsibilities to pay any other retirement benefits to retired employees.

35 Taxes payable

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Business tax and surcharges payable	67,173	82,131	106,893	110,094
Income tax payable	27,577	1,048	285,611	158,914
Others	17,840	23,226	20,290	18,756
Total	112,590	106,405	412,794	287,764

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Business tax and surcharges payable	66,501	81,248	105,300	108,185
Income tax payable	25,968	(2,416)	280,456	155,440
Others	17,223	22,707	19,728	18,212
Total	109,692	101,539	405,484	281,837

36 Interests payable

The Group

	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Deposits from customers	1,008,631	1,609,960	2,741,879	3,420,380
Deposits from banks and other financial institutions	42,749	245,735	485,360	991,904
Others	17,264	25,315	119,622	75,992
Total	1,068,644	1,881,010	3,346,861	4,488,276

The Bank

	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Deposits from customers	1,001,004	1,594,763	2,711,894	3,380,284
Deposits from banks and other financial institutions	42,783	245,737	485,718	994,204
Others	17,264	25,315	119,421	75,940
Total	1,061,051	1,865,815	3,317,033	4,450,428

37 Debt securities issued

The Group and the Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Subordinated debts issued	37(a)	500,000	500,000	500,000	500,000
Tier-two capital debts issued	37(b)	—	—	1,500,000	1,500,000
Total		500,000	500,000	2,000,000	2,000,000

(a) ***Subordinated debts issued***

The Group and the Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Subordinated fixed rate debts maturing in September 2020	(i)	500,000	500,000	500,000	500,000
Total		500,000	500,000	500,000	500,000

Note:

(i) Fixed rate subordinated debts of RMB500 million with a term of ten years were issued on September 17, 2010. The coupon rate is 5.90% for the first five years. The Group has an option to redeem the debts on September 17, 2015 at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will increase to 8.90% for the next five years.

(ii) As at the end of each of the Relevant Periods, the fair value of the subordinated debts issued amounted to RMB496 million, RMB487 million, RMB501 million and RMB502 million, respectively.

(b) ***Tier-two capital debts issued***

The Group and the Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Fixed rate tier-two capital debts maturing in January 2024	(i)	—	—	1,500,000	1,500,000
Total		—	—	1,500,000	1,500,000

Note:

(i) Fixed rate tier-two capital debts of RMB1,500 million with a term of ten years was issued on January 24, 2014. The coupon rate is 7.00%. The Group has an option to redeem the debts on January 28, 2019 at the nominal amount.

(ii) As at December 31, 2014 and June 30, 2015, the fair value of tier-two capital debts issued amounts to RMB1,547 million and RMB1,563 million, respectively.

38 **Other liabilities**

The Group

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Wealth management fund	(a)	307,663	3,753,952	3,132,450	200,000
Dividend payable		17,184	19,723	46,868	558,947
Payment and collection clearance accounts		14,900	70,013	39,608	250,527
Deferred income		1,524	1,631	1,520	1,134
Others		70,325	161,751	271,035	349,323
Total		411,596	4,007,070	3,491,481	1,359,931

The Bank

	Note	At December 31, 2012	At December 31, 2013	At December 31, 2014	At June 30, 2015
Wealth management fund	(a)	307,663	3,753,952	3,132,450	200,000
Dividend payable		17,184	19,723	46,868	556,953
Payment and collection clearance accounts		14,900	70,013	39,608	250,165
Deferred income		1,772	1,879	1,520	1,134
Others		69,809	159,882	270,170	349,045
Total		411,328	4,005,449	3,490,616	1,357,297

Note:

(a) The Group accounts for the proceeds received from customers for acquisition of principal guaranteed wealth management products issued by the Group which are not managed or measured at the fair value as other liabilities. The corresponding assets are presented in respective line items of the statement of financial position.

39 **Share capital**

Share capital of the Group as at December 31, 2012, 2013, 2014 and June 30, 2015 represented share capital of the Bank, which is fully paid.

Share capital as at the end of the Relevant Periods are as follows:

	At December 31,			At June 30,
	2012	2013	2014	2015
Number of shares authorised, issued and fully paid at par value (in thousands) ...	3,902,234	3,902,234	4,402,234	4,402,234

Note:

(a) In January 2012, the Bank issued 130 million ordinary shares with a par value of RMB1 at RMB3.5 per share. The premium arising from the issuance of new shares amounting to RMB325 million was recorded in capital reserve.

(b) In November 2014, the Bank issued 500 million ordinary shares with a par value of RMB1 at RMB3.5 per share. The premium arising from the issuance of new shares amounting to RMB1,250 million was recorded in capital reserve.

40 **Capital reserve**

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Fair value changes on available-for-sale financial assets	(26,848)	(710,084)	97,391	168,715
Changes on remeasurement of defined benefit liabilities	33	2,824	(1,092)	(2,268)
Share premium.....	3,608,179	3,608,179	4,858,179	4,858,179
Others.....	7,671	8,149	8,149	8,149
Total.....	3,589,035	2,909,068	4,962,627	5,032,775

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Fair value changes on available-for-sale financial assets	(26,848)	(710,084)	97,391	168,715
Changes on remeasurement of defined benefit liabilities	33	2,824	(1,092)	(2,268)
Share premium	3,608,179	3,608,179	4,858,179	4,858,179
Others	7,671	7,671	7,671	7,671
Total	3,589,035	2,908,590	4,962,149	5,032,297

41 **Surplus reserve and general reserve**

(a) ***Surplus reserve***

The surplus reserve at the end of each of the Relevant Periods represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 31 December, 2012, 2013, 2014 and 30 June, 2015 is RMB447 million, RMB580 million, RMB790 million and RMB790 million, respectively, while other surplus reserve is RMB12 million at the end of each of the Relevant Periods correspondingly. The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) ***General reserve***

Prior to July 1, 2012, pursuant to relevant regulations issued by the MOF, the Bank is required to set aside a general reserve through appropriations of profit after tax according to a certain provision ratio of the ending balance of gross risk-bearing assets to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the balance of gross risk-bearing assets at each year end.

With effect from July 1, 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Bank is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

42 **Appropriation of profits**

(a) In accordance with the resolution at the Bank's Annual General Meeting on April 24, 2013, the shareholders approved the following profit appropriations for the year ended December 31, 2012:

— Appropriation of statutory surplus reserve amounted to RMB114.78 million, based on 10% of the net profit of the Bank.

— Appropriation of general reserve amounted to RMB632.39 million.

— Declaration of cash dividend of RMB1.00 per 10 shares before tax and in aggregation amount of RMB390.22 million to all shareholders.

(b) In accordance with the resolution at the Bank's Annual General Meeting on June 24, 2014, the shareholders approved the following profit appropriations for the year ended December 31, 2013:

— Appropriation of statutory surplus reserve amounted to RMB132.68 million, based on 10% of the net profit of the Bank.

— Appropriation of general reserve amounted to RMB850.40 million.

— Declaration of cash dividend of RMB1.05 per 10 shares before tax and in aggregation amount of RMB409.74 million to all shareholders.

(c) In accordance with the resolution at the Bank's Annual General Meeting on June 25, 2015, the shareholders approved the following profit appropriations for the year ended December 31, 2014:

— Appropriation of statutory surplus reserve amounted to RMB210.71 million, based on 10% of the net profit of the Bank.

— Appropriation of general reserve amounted to RMB960.31 million.

— Declaration of cash dividend of RMB1.20 per 10 shares before tax and in aggregation amount of RMB528.27 million to all shareholders.

43 **Involvement with unconsolidated structured entities**

(a) ***Structured entities sponsored by third party institutions in which the Group holds an interest***

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include entities set up for wealth management products and beneficial interest transfer plans ("Asset management plans"). The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognized as at December 31, 2012, 2013, 2014 and June 30, 2015:

	Carrying amount			
	December 31,			At June 30,
	2012	2013	2014	2015
Debt securities classified as receivables...	5,960,000	35,421,188	79,256,458	124,785,198

As at December 31, 2012, 2013, 2014 and June 30, 2015, the carrying amounts of the asset management plans are equal to the maximum exposures.

(b) ***Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:***

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at December 31, 2012, 2013, 2014 and June 30, 2015, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at December 31 2012, 2013, 2014 and June 30, 2015, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB580 million, nil, RMB2,923 million and RMB6,853 million, respectively.

In addition, unconsolidated structured entities sponsored by the Group also include asset-backed securities. In March 2015, the Group transferred a portfolio of customer loans with book value of RMB3,122.5 million to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. As at June 30, 2015, the balances of these asset-backed securities held by the Group are RMB134.9 million. There were no asset-backed securities sponsored by the Group in 2012, 2013 and 2014.

Under the servicing arrangements with the independent trust company, the Group collects the cash flows of the transferred assets on behalf of the unconsolidated securitization vehicle. In return, the Group receives a fee that is expected to compensate the Group for servicing the related assets.

(c) ***Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at December 31, 2012, 2013, 2014 and June 30, 2015:***

For the year of ended December 31, 2012, 2013, 2014 and six months ended June 30, 2015, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 (June 30) amounted to nil, RMB86.6 million, RMB497 million and RMB2,247 million, respectively.

44 **Capital management**

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC. As at and prior to December 31, 2012, the Group computed its capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The Group's capital adequacy ratios as at December 31, 2013, 2014 and June 30, 2015 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

The Group

	December 31,		June 30,
	2013	2014	2015
Total core tier-one capital			
— Share capital	3,902,234	4,402,234	4,402,234
— Qualifying portion of capital reserve	2,909,068	4,962,627	5,032,775
— Surplus reserve	591,654	802,364	802,364
— General reserve	2,198,771	3,159,078	3,159,078
— Retained earnings	1,797,049	2,332,012	3,237,930
— Qualifying portions of non-controlling interests	94,091	152,562	128,405
Core tier-one capital deductions			
— Other intangible assets other than land use right	(101,284)	(113,506)	(124,425)
Net core tier-one capital	11,391,583	15,697,371	16,638,361
Other tier-one capital	1,965	2,824	5,332
Net tier-one capital	11,393,548	15,700,195	16,643,693
Tier-two capital			
— Instruments issued and share premium	450,000	1,900,000	1,850,000
— Surplus provision for loan impairment	862,319	1,371,819	2,614,531
— Qualifying portions of non-controlling interests	3,904	9,569	10,664
Net capital base	12,709,771	18,981,583	21,118,888
Total risk weighted assets	116,692,191	181,710,777	236,774,734
Core tier-one capital adequacy ratio	9.76%	8.64%	7.03%
Tier-one capital adequacy ratio	9.76%	8.64%	7.03%
Capital adequacy ratio	10.89%	10.45%	8.92%

The Group's capital adequacy ratios as at December 31, 2012 calculated in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC are as follows:

The Group

	December 31, 2012
Core capital adequacy ratio	13.03%
Capital adequacy ratio	14.34%
Core capital	
— Share capital	3,902,234
— Capital reserve	3,589,035
— Surplus reserve and general reserve	1,807,347
— Retained earnings	1,426,307
— Non-controlling interests	78,830
	10,803,753
Core capital deductions	(56,565)
Net core capital	10,747,188
Supplementary capital	
— General provision for doubtful debts	631,991
— Long term subordinated debts	500,000
— Others	3,128
	1,135,119
Total capital base before deductions	11,938,872
Deductions	
— Unconsolidated equity investments	50,250
— Others	62,881
Total capital base after deductions	11,825,741
Risk weighted assets	82,471,311

45 **Notes to consolidated cash flow statements**

(a) ***Net (decrease)/increase in cash and cash equivalents***

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Cash and cash equivalents as at December 31 / June 30	7,467,810	5,389,412	4,485,158	3,849,124	10,379,805
Less: Cash and cash equivalents as at January 1	8,455,981	7,467,810	5,389,412	5,389,412	4,485,158
Net (decrease)/increase in cash and cash equivalents	(988,171)	(2,078,398)	(904,254)	(1,540,288)	5,894,647

(b) ***Cash and cash equivalents***

	At December 31,			At June 30,
	2012	2013	2014	2015
Cash on hand	390,810	415,394	555,363	493,145
Deposits with the central bank	6,402,806	1,381,803	3,254,340	4,495,505
Deposits with banks and other financial institutions	404,194	3,520,877	675,455	5,273,602
Placements with banks and other financial institutions	—	71,338	—	117,553
Financial assets held under resale agreements	270,000	—	—	—
Total	7,467,810	5,389,412	4,485,158	10,379,805

46 Related party relationships and transactions

(a) *Related parties of the Group*

There is no immediate and ultimate controlling party of the Group during the Relevant Periods. Related parties of the Group during the Relevant Periods are disclosed as follows:

Related party	Relationship with the Group
— Jinlian Investment Group Co., Ltd. ("錦聯控股集團有限公司")	Enterprise under the control of directors
— Jincheng International Logistics Group Co., Ltd. ("錦程國際物流集團股份有限公司")	Enterprise under the control of directors
— Dalian Changxing Island Green-city Development Co., Ltd. ("大連長興島綠城發展有限公司")	Enterprise under the control of directors
— Dalian Jincheng Logistics Network Service Co., Ltd. ("大連錦程物流網絡技術有限公司")	Enterprise under the control of directors
— Jincheng International Air Freight Service. Co., Ltd. ("錦程國際航空貨運服務有限公司")	Enterprise under the control of directors
— Shenyang Longxi Real Estate Development Co., Ltd. ("瀋陽龍璽房地產開發有限公司")	Enterprise under the control of directors
— Jinzhou Jinhua Co., Ltd. ("錦州錦華股份有限公司")	Enterprise under the control of directors
—Panjin Jialun Zhiye Co., Ltd. ("盤錦加倫置業有限公司")	Enterprise under the control of directors
— Jinzhou Asphalt Factory ("錦州市瀝青廠")	Enterprise under the control of supervisors
— Beizhen Deying Oil Shale Processing Co., Ltd. ("北鎮德營油母葉岩油有限公司")	Enterprise under the control of supervisors
— Jinzhou Shunda Petrochemical Commercial and Trading Co., Ltd. ("錦州順達石化經貿有限公司")	Enterprise under the control of supervisors
— Beizhen Huiyin Microcredit Co., Ltd. ("北鎮匯銀小額貸款有限責任公司")	Enterprise under the control of supervisors
— Liaoning Dongya Seed Industry Co., Ltd. ("遼寧東亞種業有限公司")	Enterprise under the control of supervisors
— Liaoning Fuyou Fertilizer Co., Ltd. ("遼寧富友肥業有限公司")	Enterprise under the control of supervisors
— Liaoning Donglijia Animal Husbandry Co., Ltd. ("遼寧東利佳牧業有限公司")	Enterprise under the control of supervisors
— Liaoning Fuyou Seed Industry Co., Ltd. ("遼寧富友種業有限公司")	Enterprise under the control of supervisors
— Liaoning Meifeng Seed Industry Co., Ltd. ("遼寧美鋒種業有限公司")	Enterprise under the control of supervisors

Related party	Relationship with the Group
— Liaoning Fuyou Feed Co., Ltd. ("遼寧富友飼料有限公司")	Enterprise under the control of supervisors
— Jinzhou Huaxin Asset Management(Group) Co., Ltd. ("錦州華信資產經營(集團)有限公司")	Enterprise under the control of supervisors

Note:

The official names of these related parties are in Chinese. The English translation is for reference only.

(b) ***Transactions with related parties other than key management personnel***

(i) *Transactions between the Bank and subsidiaries*

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on combination and therefore are not disclosed in this note.

(ii) *Transactions between the Group and other related parties:*

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Transactions during the period:					
Interest income	101,203	119,372	123,096	56,473	52,491
Interest expense	7,596	105	89	47	45

	At December 31,			At June 30,
	2012	2013	2014	2015
Balances at end of the period:				
Loans and advances to customers	1,908,000	2,017,900	2,032,190	1,957,093
Interests receivable	3,786	4,265	4,284	4,761
	1,911,786	2,022,165	2,036,474	1,961,854
Deposits from customers	16,869	31,758	931	2,415
Interests payable	5	2	—	—
Other liabilities	1,730	1,730	1,730	1,730
	18,604	33,490	2,661	4,145

(c) ***Key management personnel***

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) *Transactions between the Group and key management personnel*

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Transactions during the period:					
Interest income	31	422	789	387	404
Interest expense	105	127	138	55	21

	At December 31,			At June 30,
	2012	2013	2014	2015
Balances at end of the period:				
Loans and advances to customers	715	10,746	13,524	14,313
Interests receivable	3	75	62	56
Deposits from customers	7,560	16,111	9,146	9,129
Interests payable	60	43	1	1

(ii) *Key management personnel compensation*

The aggregate compensation of key management personnel is listed as follows:

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Short-term staff benefits	18,567	20,473	20,315	6,862	14,504
Retirement benefits					
- Basic social pension insurance	4,678	5,018	4,768	1,314	3,288

(d) ***Loans and advances to directors, supervisors and officers***

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	At December 31,			At June 30,
	2012	2013	2014	2015
Aggregate amount of relevant loans outstanding at the period end	715	10,746	13,524	14,313
Maximum aggregate amount of relevant loans outstanding during the Relevant Periods	4,670	11,774	14,219	14,847

47 **Segment reporting**

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Treasury business

This segment covers the Group's treasury operations. The treasury business enters into inter-bank money market transactions, repurchases transactions, derivatives business, precious metal business and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income / expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income / expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the Relevant Periods to acquire property and equipment, intangible assets and other long-term assets.

(a) ***Segment results, assets and liabilities***

The Group

	Year ended December 31, 2012				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income / (expense)	3,170,165	(641,954)	725,835	—	3,254,046
Internal net interest (expense) / income	(870,913)	1,323,994	(453,081)	—	—
Net interest income	2,299,252	682,040	272,754	—	3,254,046
Net fee and commission income	71,888	22,516	2,350	—	96,754
Net trading gains	—	—	24,906	—	24,906
Dividend income	—	—	5,780	—	5,780
Net gains arising from investment securities	—	—	60,838	—	60,838
Foreign exchange gains	12,439	6	670	—	13,115
Other operating income	—	—	—	30,663	30,663
Operating income	2,383,579	704,562	367,298	30,663	3,486,102
Operating expenses	(1,135,419)	(373,346)	(136,743)	(5,900)	(1,651,408)
Operating profit before impairment	1,248,160	331,216	230,555	24,763	1,834,694
Impairment losses on assets	(285,916)	(12,701)	—	(95)	(298,712)
Profit before tax	962,244	318,515	230,555	24,668	1,535,982
Segment assets	58,380,331	2,382,710	56,080,075	6,221,634	123,064,750
Deferred tax assets	—	—	—	229,557	229,557
Total assets	58,380,331	2,382,710	56,080,075	6,451,191	123,294,307
Segment liabilities	46,403,528	36,180,295	27,537,714	1,958,481	112,080,018
Dividend payable	—	—	—	17,184	17,184
Total liabilities	46,403,528	36,180,295	27,537,714	1,975,665	112,097,202
Other segment information					
— Depreciation and amortization	(162,775)	(53,524)	(19,604)	(846)	(236,749)
— Capital expenditure	539,878	177,521	65,020	2,805	785,224

The Group

	Year ended December 31, 2013				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income / (expense)	3,940,512	(765,031)	645,961	—	3,821,442
Internal net interest (expense) / income	(1,681,368)	1,491,730	189,638	—	—
Net interest income	2,259,144	726,699	835,599	—	3,821,442
Net fee and commission income	48,891	25,025	1,355	—	75,271
Net trading losses	—	—	(5,671)	—	(5,671)
Dividend income	—	—	6,320	—	6,320
Net losses arising from investment securities	—	—	(3,643)	—	(3,643)
Foreign exchange gains / (losses)	6,916	(4)	(2,654)	(1)	4,257
Other operating income	—	—	—	24,121	24,121
Operating income	2,314,951	751,720	831,306	24,120	3,922,097
Operating expenses	(1,056,848)	(406,754)	(417,405)	(7,070)	(1,888,077)
Operating profit before impairment	1,258,103	344,966	413,901	17,050	2,034,020
Impairment losses on assets	(250,552)	(22,624)	—	(1,563)	(274,739)
Profit before tax	1,007,551	322,342	413,901	15,487	1,759,281
Segment assets	72,491,390	4,684,224	92,361,767	5,544,391	175,081,772
Deferred tax assets	—	—	—	432,078	432,078
Total assets	72,491,390	4,684,224	92,361,767	5,976,469	175,513,850
Segment liabilities	53,071,360	41,424,475	65,287,792	4,201,185	163,984,812
Dividend payable	—	—	—	19,723	19,723
Total liabilities	53,071,360	41,424,475	65,287,792	4,220,908	164,004,535
Other segment information					
— Depreciation and amortization	(151,882)	(58,456)	(59,986)	(1,016)	(271,340)
— Capital expenditure	437,878	168,528	172,941	2,929	782,276

The Group

	Year ended December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income / (expense)	4,425,512	(741,096)	1,944,007	—	5,628,423
Internal net interest (expense) / income	(1,720,395)	1,587,411	132,984	—	—
Net interest income	2,705,117	846,315	2,076,991	—	5,628,423
Net fee and commission income	91,914	23,029	1,380	—	116,323
Net trading gains	—	—	470	—	470
Dividend income	—	—	6,360	—	6,360
Net gains arising from investment securities	—	—	8,396	—	8,396
Foreign exchange gains / (losses)	10,613	5	(2,746)	—	7,872
Other operating income	—	—	—	26,765	26,765
Operating income	2,807,644	869,349	2,090,851	26,765	5,794,609
Operating expenses	(1,056,721)	(450,019)	(699,895)	(6,855)	(2,213,490)
Operating profit before impairment	1,750,923	419,330	1,390,956	19,910	3,581,119
Impairment losses on assets	(649,752)	(56,515)	(78,266)	(8,936)	(793,469)
Profit before tax	1,101,171	362,815	1,312,690	10,974	2,787,650
Segment assets	79,518,322	7,740,749	156,828,527	6,205,156	250,292,754
Deferred tax assets	—	—	—	399,966	399,966
Total assets	79,518,322	7,740,749	156,828,527	6,605,122	250,692,720
Segment liabilities	77,013,199	51,770,124	101,969,776	4,015,617	234,768,716
Dividend payable	—	—	—	46,868	46,868
Total liabilities	77,013,199	51,770,124	101,969,776	4,062,485	234,815,584
Other segment information					
— Depreciation and amortization	(155,577)	(66,255)	(103,043)	(1,009)	(325,884)
— Capital expenditure	639,430	272,311	423,512	4,148	1,339,401

The Group

	Six months June 30, 2014 (unaudited)				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income / (expense)	1,385,293	(338,976)	1,173,431	—	2,219,748
Internal net interest (expense) / income	(199,977)	711,082	(511,105)	—	—
Net interest income	1,185,316	372,106	662,326	—	2,219,748
Net fee and commission income	27,054	28,773	200	—	56,027
Net trading losses	—	—	(7,236)	—	(7,236)
Net gains arising from investment securities	—	—	1,683	—	1,683
Foreign exchange gains / (losses)	6,376	3	6,696	90	13,165
Other operating income	—	—	—	3,475	3,475
Operating income	1,218,746	400,882	663,669	3,565	2,286,862
Operating expenses	(511,540)	(99,643)	(370,924)	(1,184)	(983,291)
Operating profit before impairment	707,206	301,239	292,745	2,381	1,303,571
Impairment losses on assets	(94,528)	(10,403)	(5,421)	(1,091)	(111,443)
Profit before tax	612,678	290,836	287,324	1,290	1,192,128

The Group

	Six months June 30, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income / (expense)	1,993,500	(717,784)	3,166,292	—	4,442,008
Internal net interest (expense) / income	(331,116)	1,163,671	(832,555)	—	—
Net interest income	1,662,384	445,887	2,333,737	—	4,442,008
Net fee and commission income / (expenses)	107,760	25,207	(680)	—	132,287
Net trading gains	—	—	60,796	—	60,796
Dividend income	—	—	440	—	440
Net gains arising from investment securities	—	—	2,254	—	2,254
Foreign exchange gains	12,836	—	19,407	—	32,243
Other operating income	—	—	—	9,640	9,640
Operating income	1,782,980	471,094	2,415,954	9,640	4,679,668
Operating expenses	(560,000)	(235,996)	(441,235)	(9,230)	(1,246,461)
Operating profit before impairment	1,222,980	235,098	1,974,719	410	3,433,207
Impairment losses on assets	(1,156,384)	(142,982)	(235,370)	—	(1,534,736)
Profit before tax	66,596	92,116	1,739,349	410	1,898,471
Segment assets	82,126,938	9,150,220	214,758,768	6,235,552	312,271,478
Deferred tax assets	—	—	—	667,346	667,346
Total assets	82,126,938	9,150,220	214,758,768	6,902,898	312,938,824
Segment liabilities	101,399,558	64,848,975	128,118,964	1,157,583	295,525,080
Dividend payable	—	—	—	558,947	558,947
Total liabilities	101,399,558	64,848,975	128,118,964	1,716,530	296,084,027
Other segment information					
— Depreciation and amortization	(76,078)	(32,061)	(59,943)	(1,254)	(169,336)
— Capital expenditure	133,899	56,427	105,501	2,207	298,034

(b) ***Geographical information***

The Group operates principally in Jinzhou, Northeastern China and Northern China.

Non-current assets include property and equipment, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- "Jinzhou" refers to the head quarter of the Bank, Jinzhou branch and the four subsidiaries of the Group.
- "Northeastern China" refers to the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin and Liaoyang.
- "Northern China" refers to the following areas serviced by branches of the Bank: Beijing and Tianjin.

The Group

	Operating Income				
	Years ended December 31,			Six months ended June 30	
	2012	2013	2014	2014	2015
				(unaudited)	
Jinzhou	2,240,586	2,312,250	3,012,681	1,163,955	2,929,402
Northeastern China	722,517	839,713	1,247,664	533,829	666,085
Northern China	522,999	770,134	1,534,264	589,078	1,084,181
Total	3,486,102	3,922,097	5,794,609	2,286,862	4,679,668

	Non-current assets			
	At December 31,			At June 30,
	2012	2013	2014	2015
Jinzhou	1,486,931	1,585,460	2,143,925	2,014,164
Northeastern China	1,500,807	1,900,360	2,229,825	2,486,383
Northern China	718,881	695,590	774,725	757,690
Total	3,706,619	4,181,410	5,148,475	5,258,237

48 Risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyze the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) *Credit risk*

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Credit Approval Department, Credit Management Department, and Risk and Compliance Department, and the Group dispatch Risk Management Officer and Credit Officer to the first-level branches. The Risk and Compliance Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk and Compliance Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments such as the Corporate Banking Department and the Retail Banking Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. The Group has further enhanced the parallel operating mechanism. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury Business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the Relevant Periods.

(ii) Financial assets analyzed by credit quality are summarized as follows:

The Group

	At December 31, 2012				
	Loans and advances	**Deposits / Placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Investments**	**Others**
				(*)	*(**)*
Impaired					
Individually assessed gross amount	592,103	—	—	—	3,472
Provision for impairment losses	(342,990)	—	—	—	(3,472)
Sub-total	249,113	—	—	—	—
Collectively assessed gross amount	—	—	—	—	—
Sub-total	—	—	—	—	—
Overdue but not Impaired					
Less than three months (inclusive)	34,517	—	—	—	—
Between three months and six months(inclusive)	58,210	—	—	—	—
Between six months and one year(inclusive)	29	—	—	—	—
More than one year	811	—	—	—	—
Gross amount	93,567	—	—	—	—
Provision for impairment losses	(6,795)	—	—	—	—
Sub-total	86,772	—	—	—	—
Neither overdue nor impaired					
Gross amount	62,513,392	8,759,201	1,147,177	23,969,804	559,307
Provision for impairment losses	(1,068,200)	—	—	—	—
Sub-total	61,445,192	8,759,201	1,147,177	23,969,804	559,307
Total	61,781,077	8,759,201	1,147,177	23,969,804	559,307

The Group

	At December 31, 2013			
	Loans and advances	Deposits / Placements with banks and other financial institutions	Investments	Others
			(*)	(**)
Impaired				
Individually assessed gross amount.......	682,140	—	—	3,468
Provision for impairment losses...........	(513,257)	—	—	(3,468)
Sub-total...	168,883	—	—	—
Collectively assessed gross amount.......	—	—	—	—
Sub-total...	—	—	—	—
Overdue but not Impaired				
Less than three months (inclusive)........	5,756	—	—	—
More than one year	139	—	—	—
Gross amount	5,895	—	—	—
Provision for impairment losses...........	(793)	—	—	—
Sub-total...	5,102	—	—	—
Neither overdue nor impaired				
Gross amount	77,585,214	11,678,786	57,951,529	854,920
Provision for impairment losses...........	(1,030,409)	—	—	—
Sub-total...	76,554,805	11,678,786	57,951,529	854,920
Total	76,728,790	11,678,786	57,951,529	854,920

The Group

	At December 31, 2014			
	Loans and advances	Deposits / Placements with banks and other financial institutions	Investments	Others
			(*)	(**)
Impaired				
Individually assessed gross amount	878,647	—	—	12,405
Provision for impairment losses	(546,880)	—	—	(12,405)
Sub-total	331,767	—	—	—
Collectively assessed gross amount	—	—	—	—
Sub-total	—	—	—	—
Overdue but not Impaired				
Less than three months (inclusive)	939,344	—	—	—
Between three months and six months (inclusive)	55,986	—	—	—
Between six months and one year (inclusive)	16,244	—	—	—
More than one year	—	—	—	—
Gross amount	1,011,574	—	—	—
Provision for impairment losses	(82,488)	—	—	—
Sub-total	929,086	—	—	—
Neither overdue nor impaired				
Gross amount	86,909,039	12,520,605	113,862,563	1,643,845
Provision for impairment losses	(1,621,098)	—	(78,266)	—
Sub-total	85,287,941	12,520,605	113,784,297	1,643,845
Total	86,548,794	12,520,605	113,784,297	1,643,845

The Group

	At June 30, 2015			
	Loans and advances	Deposits / Placements with banks and other financial institutions	Investments	Others
			(*)	(**)
Impaired				
Individually assessed gross amount	934,630	—	—	12,405
Provision for impairment losses	(637,447)	—	—	(12,405)
Sub-total	297,183	—	—	—
Collectively assessed gross amount	—	—	—	—
Sub-total	—	—	—	—
Overdue but not impaired				
Less than three months (inclusive)	1,508,026	—	—	—
Between three months and six months(inclusive)	56,374	—	—	—
Between six months and one year(inclusive)	37,000	—	—	—
More than one year	10,100	—	—	—
Gross amount	1,611,500	—	—	—
Provision for impairment losses	(125,616)	—	—	—
Sub-total	1,485,884	—	—	—
Neither overdue nor impaired				
Gross amount	91,572,252	16,991,190	166,690,929	1,974,952
Provision for impairment losses	(2,786,098)	—	(313,636)	—
Sub-total	88,786,154	16,991,190	166,377,293	1,974,952
Total	90,569,221	16,991,190	166,377,293	1,974,952

* Investments comprise financial assets at fair value through profit or loss, available-for-sale debt investments, held-to-maturity investments and debt securities classified as receivables.

** Others comprise positive fair value of derivatives, interests receivable, prepayments for acquisition of property and equipment and other receivables in other assets.

(iii) *Credit rating*

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as at the end of each of the Relevant Periods are as follows:

The Group

	At December 31,			At June 30,
Neither overdue nor impaired	**2012**	**2013**	**2014**	**2015**
Ratings				
- AAA	15,094,245	19,792,797	21,906,604	21,875,358
- AA- to AA+	2,280,713	2,477,625	2,463,508	3,531,559
- A- to A+	604,846	229,919	229,958	251,711
- lower than A-	30,000	30,000	—	—
- unrated	—	—	—	1,513,289
Total	18,009,804	22,530,341	24,600,070	27,171,917

(b) ***Market risk***

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its treasury business. The Treasury Transaction Department is responsible for carrying out capital investments and transactions. The Finance Management Department and the International Business Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Risk and Compliance Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the major tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the major tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on / off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

(i) The following tables indicate the assets and liabilities as at the end of each of the Relevant Periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

The Group

	At December 31, 2012					
	Total	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with the central bank	22,713,177	390,810	22,322,367	—	—	—
Deposits with banks and other financial institutions	8,759,201	—	1,609,201	7,150,000	—	—
Financial assets held under resale agreements	1,147,177	—	740,000	407,177	—	—
Loans and advances to customers (Note (i))	61,781,077	—	33,345,790	22,224,605	5,924,115	286,567
Investments (Note (ii))	24,028,054	58,250	816,003	4,924,219	9,170,649	9,058,933
Others	4,865,621	4,865,621	—	—	—	—
Total assets	123,294,307	5,314,681	58,833,361	34,706,001	15,094,764	9,345,500
Liabilities						
Borrowing from the Central bank	20,000	—	—	20,000	—	—
Deposits from banks and other financial institutions	20,158,930	—	5,688,930	3,550,000	10,920,000	—
Placements from banks and other financial institutions	772,871	—	728,872	43,999	—	—
Financial assets sold under repurchase agreements	6,011,400	—	5,515,400	496,000	—	—
Deposits from customers	82,786,317	45,217	44,510,467	27,897,867	8,982,730	1,350,036
Debt securities issued	500,000	—	—	—	500,000	—
Others	1,847,684	1,363,446	237,662	246,576	—	—
Total liabilities	112,097,202	1,408,663	56,681,331	32,254,442	20,402,730	1,350,036
Asset-liability gap	11,197,105	3,906,018	2,152,030	2,451,559	(5,307,966)	7,995,464

The Group

	At December 31, 2013					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	23,258,576	415,394	22,843,182	—	—	—
Deposits with banks and other financial institutions	9,698,194	—	3,336,054	5,562,140	800,000	—
Placements with banks and other financial institutions	1,980,592	—	816,348	1,164,244	—	—
Loans and advances to customers (Note (i))	76,728,790	—	40,476,132	28,277,440	7,602,501	372,717
Investments (Note (ii))	58,009,779	58,250	3,361,412	19,352,842	22,463,643	12,773,632
Others	5,837,919	5,837,919	—	—	—	—
Total assets	175,513,850	6,311,563	70,833,128	54,356,666	30,866,144	13,146,349
Liabilities						
Borrowing from the central bank	27,000	—	27,000	—	—	—
Deposits from banks and other financial institutions	52,391,176	—	21,519,416	11,993,180	18,878,580	—
Placements from banks and other financial institutions	3,029,890	—	2,347,395	682,495	—	—
Financial assets sold under repurchase agreements	9,034,400	—	8,539,000	495,400	—	—
Deposits from customers	92,764,588	83,996	45,582,951	26,538,443	19,559,182	1,000,016
Debt securities issued	500,000	—	—	—	500,000	—
Others	6,257,481	2,356,551	2,028,382	1,872,548	—	—
Total liabilities	164,004,535	2,440,547	80,044,144	41,582,066	38,937,762	1,000,016
Asset-liability gap	11,509,315	3,871,016	(9,211,016)	12,774,600	(8,071,618)	12,146,333

The Group

	At December 31, 2014					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	30,170,499	555,363	29,615,136	—	—	—
Deposits with banks and other financial institutions	12,520,605	—	6,209,105	5,657,000	654,500	—
Loans and advances to customers (Note (i))	86,548,794	—	38,263,290	33,863,999	14,187,962	233,543
Investments (Note (ii))	113,842,547	58,250	6,792,676	42,021,825	54,667,999	10,301,797
Others	7,610,275	7,610,275	—	—	—	—
Total assets	250,692,720	8,223,888	80,880,207	81,542,824	69,510,461	10,535,340
Liabilities						
Borrowing from the central bank	190,000	—	40,000	150,000	—	—
Deposits from banks and other financial institutions	82,457,624	—	14,657,494	35,765,250	32,034,880	—
Placements from banks and other financial institutions	3,044,677	—	2,165,833	878,844	—	—
Financial assets sold under repurchase agreements	10,259,000	—	10,259,000	—	—	—
Deposits from customers	119,402,997	29,140	60,629,926	35,910,626	21,832,774	1,000,531
Debt securities issued	2,000,000	—	—	500,000	1,500,000	—
Others	17,461,286	4,255,386	3,139,050	10,066,850	—	—
Total liabilities	234,815,584	4,284,526	90,891,303	83,271,570	55,367,654	1,000,531
Asset-liability gap	15,877,136	3,939,362	(10,011,096)	(1,728,746)	14,142,807	9,534,809

The Group

	At June 30, 2015					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	30,705,979	493,145	30,212,834	—	—	—
Deposits with banks and other financial institutions	16,078,869	—	7,118,609	7,305,760	1,654,500	—
Placements with banks and other financial institutions	912,321	—	117,553	794,768	—	—
Loans and advances to customers (Note (i))	90,569,221	—	28,161,927	31,812,376	29,200,426	1,394,492
Investments (Note (ii))	166,377,293	58,250	21,820,972	70,322,003	63,861,485	10,314,583
Others	8,295,141	8,279,385	15,756	—	—	—
Total assets	312,938,824	8,830,780	87,447,651	110,234,907	94,716,411	11,709,075
Liabilities						
Borrowing from the central bank	50,000	—	50,000	—	—	—
Deposits from banks and other financial institutions	107,040,583	—	26,005,315	51,654,768	29,380,500	—
Placements from banks and other financial institutions	4,700,249	—	4,507,068	193,181	—	—
Financial assets sold under repurchase agreements	11,561,900	—	11,561,900	—	—	—
Deposits from customers	150,029,965	77,559	56,361,358	50,776,299	42,356,618	458,131
Debt securities issued	2,000,000	—	500,000	—	1,500,000	—
Others	20,701,330	6,045,030	4,566,507	10,089,793	—	—
Total liabilities	296,084,027	6,122,589	103,552,148	112,714,041	73,237,118	458,131
Asset-liability gap	16,854,797	2,708,191	(16,104,497)	(2,479,134)	21,479,293	11,250,944

Note:

(i) As at December 31, 2012, 2013, 2014 and June 30, 2015, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB179 million, RMB170 million, RMB1,253 million, RMB1,783 million, respectively.

(ii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at December 31, 2012, 2013, 2014 and June 30, 2015, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to increase RMB29 million, decrease RMB65 million, decrease RMB103 million and decrease RMB138 million, and the Group's equity to decrease RMB192 million, decrease RMB490 million, decrease RMB534 million and decrease RMB551 million; a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to decrease RMB19 million, increase RMB80 million, increase RMB103 million and increase RMB138 million, and the Group's equity to increase RMB218 million, increase RMB535 million, increase RMB562 million and increase RMB569 million.

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

— Interest rate movements at the end of each of the Relevant Periods apply to non-derivative financial instruments of the Group;

— At the end of each of the Relevant Periods, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;

— There is a parallel shift in the yield curve with the changes in interest rates;

— There are no other changes to the assets and liabilities portfolio;

— Other variables (including exchange rates) remain unchanged; and

— The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

The Group's currency exposures as at the end of each of the Relevant Periods are as follows:

The Group

	At December 31, 2012			
	RMB	USD	Others	Total
		(RMB Equivalent)	*(RMB Equivalent)*	*(RMB Equivalent)*
Assets				
Cash and deposits with the central bank	22,592,925	119,164	1,088	22,713,177
Deposits with banks and other financial institutions	8,607,274	125,694	26,233	8,759,201
Interests receivable	523,753	12,422	15	536,190
Loans and advances to customers	57,721,596	4,050,035	9,446	61,781,077
Others	29,495,720	4,262	4,680	29,504,662
Total assets	118,941,268	4,311,577	41,462	123,294,307
Liabilities				
Deposits from banks and other financial institutions	20,158,930	—	—	20,158,930
Placements from banks and other financial institutions	—	759,035	13,836	772,871
Deposits from customers	79,404,743	3,354,805	26,769	82,786,317
Interests payable	1,047,454	21,024	166	1,068,644
Others	7,263,607	46,833	—	7,310,440
Total liabilities	107,874,734	4,181,697	40,771	112,097,202
Net position	11,066,534	129,880	691	11,197,105
Off-balance sheet credit commitments	23,324,356	1,047,738	7,215	24,379,309

The Group

	At December 31, 2013			
	RMB	USD	Others	Total
		(RMB Equivalent)	*(RMB Equivalent)*	*(RMB Equivalent)*
Assets				
Cash and deposits with the central bank	23,092,473	165,102	1,001	23,258,576
Deposits with banks and other financial institutions	9,600,786	51,548	45,860	9,698,194
Interests receivable	659,859	13,943	61	673,863
Loans and advances to customers	70,753,212	5,940,454	35,124	76,728,790
Others	65,083,150	—	71,277	65,154,427
Total assets	169,189,480	6,171,047	153,323	175,513,850
Liabilities				
Deposits from banks and other financial institutions	52,391,176	—	—	52,391,176
Placements from banks and other financial institutions	200,000	2,692,335	137,555	3,029,890
Deposits from customers	90,471,014	2,277,861	15,713	92,764,588
Interests payable	1,857,093	23,809	108	1,881,010
Others	12,925,039	1,012,721	111	13,937,871
Total liabilities	157,844,322	6,006,726	153,487	164,004,535
Net position	11,345,158	164,321	(164)	11,509,315
Off-balance sheet credit commitments	33,740,725	1,565,935	12,577	35,319,237

The Group

	At December 31, 2014			
	RMB	USD	Others	Total
		(RMB Equivalent)	*(RMB Equivalent)*	*(RMB Equivalent)*
Assets				
Cash and deposits with the central bank	29,989,334	180,260	905	30,170,499
Deposits with banks and other financial institutions	12,246,781	259,051	14,773	12,520,605
Interests receivable	1,471,606	88,520	32	1,560,158
Loans and advances to customers	78,888,360	7,651,925	8,509	86,548,794
Others	119,892,664	—	—	119,892,664
Total assets	242,488,745	8,179,756	24,219	250,692,720
Liabilities				
Deposits from banks and other financial institutions	82,457,624	—	—	82,457,624
Placements from banks and other financial institutions	—	3,037,221	7,456	3,044,677
Deposits from customers	115,772,719	3,625,308	4,970	119,402,997
Interests payable	3,294,189	52,639	33	3,346,861
Others	25,346,896	1,206,868	9,661	26,563,425
Total liabilities	226,871,428	7,922,036	22,120	234,815,584
Net position	15,617,317	257,720	2,099	15,877,136
Off-balance sheet credit commitments	37,166,035	256,169	5,571	37,427,775

The Group

	At June 30, 2015			
	RMB	USD	Others	Total
		(RMB Equivalent)	*(RMB Equivalent)*	*(RMB Equivalent)*
Assets				
Cash and deposits with the central bank	30,517,577	187,037	1,365	30,705,979
Deposits with banks and other financial institutions	15,783,172	273,023	22,674	16,078,869
Placements with banks and other financial institutions	—	904,813	7,508	912,321
Interests receivable	1,742,469	24,600	38	1,767,107
Loans and advances to customers	84,737,246	5,817,461	14,514	90,569,221
Others	172,481,112	424,215	—	172,905,327
Total assets	305,261,576	7,631,149	46,099	312,938,824
Liabilities				
Deposits from banks and other financial institutions	107,040,583	—	—	107,040,583
Placements from banks and other financial institutions	—	4,676,663	23,586	4,700,249
Deposits from customers	147,349,004	2,673,715	7,246	150,029,965
Interests payable	4,433,999	54,184	93	4,488,276
Others	29,810,376	1,111	13,467	29,824,954
Total liabilities	288,633,962	7,405,673	44,392	296,084,027
Net position	16,627,614	225,476	1,707	16,854,797
Off-balance sheet credit commitments	58,042,235	2,050,623	16,545	60,109,403

As the net position of the Group's foreign currency is immaterial, the foreign currency risk is immaterial.

(c) ***Liquidity risk***

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

— Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and

— Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Finance Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the bank. It is also responsible for managing and forecasting the working capital on a regular basis together with the Treasury Transaction Department, and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Treasury Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Relevant Periods:

The Group

	At December 31, 2012							
	Indefinite	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Total**
	Note (i)							
Assets								
Cash and deposits with the central bank	15,919,561	6,793,616	—	—	—	—	—	22,713,177
Deposit with banks and other financial institutions	—	304,201	100,000	1,205,000	7,150,000	—	—	8,759,201
Financial asset held under resale agreements	—	—	740,000	—	407,177	—	—	1,147,177
Loans and advances to customers	355,051	17,417	2,139,944	6,338,431	28,646,031	23,726,370	557,833	61,781,077
Investments	58,250	—	—	260,163	3,503,559	11,061,481	9,144,601	24,028,054
Others	4,270,613	11,903	164,595	161,356	114,557	142,597	—	4,865,621
Total assets.................	20,603,475	7,127,137	3,144,539	7,964,950	39,821,324	34,930,448	9,702,434	123,294,307
Liabilities								
Borrowing from the central bank	—	—	—	—	20,000	—	—	20,000
Deposits from banks and other financial institutions	—	4,098,930	300,000	1,290,000	3,550,000	10,920,000	—	20,158,930
Placements from banks and other financial institutions	—	—	339,493	389,380	43,998	—	—	772,871
Financial assets sold under repurchase agreements	—	—	5,012,600	502,800	496,000	—	—	6,011,400
Deposit from customers...............	—	34,918,085	5,635,788	4,001,811	27,897,867	8,982,730	1,350,036	82,786,317
Debt securities issued ..	—	—	—	—	—	500,000	—	500,000
Others	—	140,073	335,272	439,258	448,619	399,765	84,697	1,847,684
Total liabilities	—	39,157,088	11,623,153	6,623,249	32,456,484	20,802,495	1,434,733	112,097,202
Long/(Short) position ..	20,603,475	(32,029,951)	(8,478,614)	1,341,701	7,364,840	14,127,953	8,267,701	11,197,105

The Group

	At December 31, 2013							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	Note (i)							
Assets								
Cash and deposits with the central bank	21,461,379	1,797,197	—	—	—	—	—	23,258,576
Deposit with banks and other financial institutions	—	216,637	1,173,510	1,945,900	5,562,147	800,000	—	9,698,194
Placement with banks and other financial institutions	—	—	227,482	588,866	1,164,244	—	—	1,980,592
Loans and advances to customers	173,235	36,506	2,041,383	7,866,761	35,395,807	29,215,056	2,000,042	76,728,790
Investments	58,250	—	29,987	2,736,169	18,642,614	23,716,621	12,826,138	58,009,779
Others	4,940,857	8,992	21,138	252,911	383,644	230,377	—	5,837,919
Total assets	26,633,721	2,059,332	3,493,500	13,390,607	61,148,456	53,962,054	14,826,180	175,513,850
Liabilities								
Borrowing from the central bank	—	—	—	27,000	—	—	—	27,000
Deposits from banks and other financial institutions	—	7,645,062	7,560,084	6,314,270	11,993,180	18,878,580	—	52,391,176
Placements from banks and other financial institutions	—	—	2,026,732	320,663	682,495	—	—	3,029,890
Financial assets sold under repurchase agreements	—	—	7,954,100	584,900	495,400	—	—	9,034,400
Deposit from customers	—	38,379,136	2,386,533	4,901,278	26,538,443	19,559,182	1,000,016	92,764,588
Debt securities issued	—	—	—	—	—	500,000	—	500,000
Others	—	316,480	986,479	1,891,480	2,353,901	638,404	70,737	6,257,481
Total liabilities	—	46,340,678	20,913,928	14,039,591	42,063,419	39,576,166	1,070,753	164,004,535
Long/(Short) position	26,633,721	(44,281,346)	(17,420,428)	(648,984)	19,085,037	14,385,888	13,755,427	11,509,315

The Group

	At December 31, 2014							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	Note (i)							
Assets								
Cash and deposits with the central bank	26,360,795	3,809,704	—	—	—	—	—	30,170,499
Deposit with banks and other financial institutions	—	450,455	2,999,640	2,759,010	5,657,000	654,500	—	12,520,605
Placement with banks and other financial institutions	—	—	—	—	—	—	—	—
Loans and advances to customers	945,645	385,770	3,094,592	9,801,340	45,946,348	25,818,058	557,041	86,548,794
Investments	58,250	—	1,560,932	4,973,609	41,456,360	55,435,423	10,357,973	113,842,547
Others	5,966,430	1,517	137,348	823,324	664,898	12,971	3,787	7,610,275
Total assets	33,331,120	4,647,446	7,792,512	18,357,283	93,724,606	81,920,952	10,918,801	250,692,720
Liabilities								
Borrowing from the central bank	—	—	40,000	150,000	—	—	—	190,000
Deposits from banks and other financial institutions	—	2,062,494	4,050,000	8,545,000	35,765,250	32,034,880	—	82,457,624
Placements from banks and other financial institutions	—	—	1,964,402	895,704	184,571	—	—	3,044,677
Financial assets sold under repurchase agreements	—	—	10,259,000	—	—	—	—	10,259,000
Deposit from customers	—	41,867,614	6,791,748	11,999,704	35,910,626	21,832,774	1,000,531	119,402,997
Debt securities issued	—	—	—	—	500,000	1,500,000	—	2,000,000
Others	—	377,310	1,240,687	3,252,631	10,960,862	1,550,675	79,121	17,461,286
Total liabilities	—	44,307,418	24,345,837	24,843,039	83,321,309	56,918,329	1,079,652	234,815,584
Long / (Short) position	33,331,120	(39,659,972)	(16,553,325)	(6,485,756)	10,403,297	25,002,623	9,839,149	15,877,136

The Group

	At June 30, 2015							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	Note (i)							
Assets								
Cash and deposits with the central bank	25,717,329	4,988,650	—	—	—	—	—	30,705,979
Deposit with banks and other financial institutions	—	638,609	6,070,000	410,000	7,305,760	1,654,500	—	16,078,869
Placement with banks and other financial institutions	—	—	79,477	38,076	794,768	—	—	912,321
Loans and advances to customers	1,173,464	637,921	3,442,096	9,119,642	40,514,035	34,631,652	1,050,411	90,569,221
Investments	58,250	—	7,684,815	13,858,242	69,956,664	64,450,432	10,368,890	166,377,293
Others	6,314,989	55,046	274,886	462,170	1,000,191	187,859	—	8,295,141
Total assets	33,264,032	6,320,226	17,551,274	23,888,130	119,571,418	100,924,443	11,419,301	312,938,824
Liabilities								
Borrowing from the central bank	—	—	—	50,000	—	—	—	50,000
Deposits from banks and other financial institutions	—	1,059,845	12,700,000	12,245,470	51,654,768	29,380,500	—	107,040,583
Placements from banks and other financial institutions	—	—	2,755,054	1,752,014	193,181	—	—	4,700,249
Financial assets sold under repurchase agreements	—	—	11,561,900	—	—	—	—	11,561,900
Deposit from customers	—	38,504,712	7,844,858	10,089,347	50,776,299	42,356,618	458,131	150,029,965
Debt securities issued	—	—	—	500,000	—	1,500,000	—	2,000,000
Others	—	1,189,399	2,536,893	3,620,961	11,328,125	1,946,988	78,964	20,701,330
Total liabilities	—	40,753,956	37,398,705	28,257,792	113,952,373	75,184,106	537,095	296,084,027
Long/(Short) position	33,264,032	(34,433,730)	(19,847,431)	(4,369,662)	5,619,045	25,740,337	10,882,206	16,854,797

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments at the end of each of the Relevant Periods:

The Group

	At December 31, 2012							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	20,000	20,482	—	—	—	20,482	—	—
Deposits from banks and other financial institutions	20,158,930	23,315,683	4,098,930	303,025	1,306,746	3,724,395	13,882,587	—
Placements from banks and other financial institutions	772,871	777,090	—	340,465	392,303	44,322	—	—
Financial assets sold under repurchase agreements	6,011,400	6,028,476	—	5,019,771	507,759	500,946	—	—
Deposits from customers	82,786,317	83,937,548	34,918,100	5,771,313	4,098,055	28,568,811	9,198,765	1,382,504
Debt securities issued	500,000	588,500	—	—	—	29,500	559,000	—
Other financial liabilities	779,040	840,486	103,933	231,047	206,120	93,176	74,765	131,445
Total non-derivative financial liabilities	111,028,558	115,508,265	39,120,963	11,665,621	6,510,983	32,981,632	23,715,117	1,513,949
Loan commitments and credit card commitments	—	2,024,895	1,316,253	225,775	246,321	236,546	—	—

The Group

	At December 31, 2013							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	27,000	27,071	—	—	27,071	—	—	—
Deposits from banks and other financial institutions	52,391,176	57,702,900	7,645,062	7,632,860	6,458,538	12,530,257	23,436,183	—
Placements from banks and other financial institutions	3,029,890	3,048,013	—	2,031,659	322,747	693,607	—	—
Financial assets sold under repurchase agreements	9,034,400	9,080,128	—	7,971,625	595,024	513,479	—	—
Deposits from customers	92,764,588	94,192,206	38,379,136	2,449,179	5,029,937	27,235,077	20,072,611	1,026,266
Debt securities issued	500,000	559,000	—	—	—	29,500	529,500	—
Other financial liabilities	4,376,471	4,532,508	253,118	783,843	1,488,276	1,822,999	64,523	119,749
Total non-derivative financial liabilities	162,123,525	169,141,826	46,277,316	20,869,166	13,921,593	42,824,919	44,102,817	1,146,015
Loan commitments and credit card commitments	—	1,976,761	1,372,124	175,467	241,290	187,880	—	—

The Group

	At December 31, 2014							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	190,000	191,047	—	—	40,340	150,707	—	—
Deposits from banks and other financial institutions	82,457,624	94,298,388	2,063,988	4,108,532	8,746,803	37,510,782	41,868,283	—
Placements from banks and other financial institutions	3,044,677	3,049,819	—	1,966,465	898,126	185,228	—	—
Financial assets sold under repurchase agreements	10,259,000	10,280,799	—	10,280,799	—	—	—	—
Deposits from customers	119,402,997	121,409,077	41,867,614	6,953,731	12,287,283	36,922,569	22,353,486	1,024,394
Debt securities issued	2,000,000	2,554,500	—	105,000	—	529,500	1,920,000	—
Other financial liabilities	14,114,425	14,761,092	359,031	2,508,277	1,249,800	10,476,521	56,150	111,313
Total non-derivative financial liabilities	231,468,723	246,544,722	44,290,633	25,922,804	23,222,352	85,775,307	66,197,919	1,135,707
Loan commitments and credit card commitments	—	1,796,277	1,363,757	100,590	27,000	147,100	157,830	—

The Group

	At June 30, 2015							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	50,000	50,462	—	—	50,462	—	—	—
Deposits from banks and other financial institutions	107,040,583	116,435,056	1,060,606	12,916,532	12,477,285	53,981,094	35,999,539	—
Placements from banks and other financial institutions	4,700,249	4,708,590	—	2,757,004	1,755,756	195,830	—	—
Financial assets sold under repurchase agreements	11,561,900	11,576,161	—	11,576,161	—	—	—	—
Deposits from customers	150,029,965	153,301,355	38,504,712	8,107,086	10,382,381	52,297,244	43,539,890	470,042
Debt securities issued	2,000,000	2,449,500	—	—	529,500	105,000	1,815,000	—
Other financial liabilities	16,191,404	16,905,087	1,159,931	2,195,391	2,923,744	10,456,805	44,787	124,429
Total non-derivative financial liabilities	291,574,101	305,426,211	40,725,249	37,552,174	28,119,128	117,035,973	81,399,216	594,471
Loan commitments and credit card commitments	—	1,959,699	1,627,496	26,173	23,000	283,030	—	—

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

(d) ***Operational risk***

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

— A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;

— A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;

— An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;

— An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and

— An independent risk assessment framework based on the internal audit and the compliance review.

49 Fair value

(a) ***Methods and assumptions for measurement of fair value***

The Group adopts the following methods and assumptions when evaluating fair values:

(i) *Debt securities and equity investments*

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the Relevant Periods.

(ii) *Receivables and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the Relevant Periods.

(iii) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of the Relevant Periods, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the Relevant Periods.

(iv) *Derivative financial instruments*

The fair values of foreign currency forward and swap contracts is determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

(b) ***Fair value measurement***

(i) *Financial assets*

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 22, 23.

(ii) *Financial liabilities*

The Group's financial liabilities mainly include payables to banks and other financial institutions, financial liabilities designated at fair value through profit or loss, deposits from customers and subordinated debts issued.

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 36. The carrying amounts of other financial liabilities approximate their fair value.

(c) **Fair value hierarchy**

The following table presents the carrying value of financial instruments measured at fair value in the statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The Group and the Bank

	At December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
— debt securities held for trading				
— debt instruments	—	324,171	—	324,171
Available-for-sale financial assets				
— debt instruments	—	9,760,166	—	9,760,166
Total	—	10,084,337	—	10,084,337

	At December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
— debt securities held for trading				
— debt instruments	—	58,500	—	58,500
Available-for-sale financial assets				
— debt instruments	—	14,884,218	—	14,884,218
Total	—	14,942,718	—	14,942,718

The Group and the Bank

	At December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
— debt securities held for trading				
— debt instruments	—	62,483	—	62,483
— Financial assets designated at fair value through profit or loss	—	4,308,679	5,619,090	9,927,769
Available-for-sale financial assets				
— debt instruments	—	17,197,995	—	17,197,995
Total	—	21,569,157	5,619,090	27,188,247
Liabilities				
Financial liability designated at fair value through profit or loss	—	—	9,932,205	9,932,205
Total	—	—	9,932,205	9,932,205

The Group and the Bank

	At June 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
— debt securities held for trading				
— debt instruments	—	62,918	—	62,918
— precious metals	—	11,748	—	11,748
— Financial assets designated at fair value through profit or loss	—	2,271,337	12,078,843	14,350,180
Available-for-sale financial assets				
— debt instruments	—	16,777,462	40,919	16,818,381
Positive fair value of derivatives				
— foreign currency derivatives	—	15,756	—	15,756
Total	—	19,139,221	12,119,762	31,258,983
Liabilities				
Financial liability designated at fair value through profit or loss	—	—	14,296,705	14,296,705
Negative fair value of derivatives				
— foreign currency derivatives	—	21,650	—	21,650
Total	—	21,650	14,296,705	14,318,355

During the Relevant Periods, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

The movement during the year ended December 31, 2014 and the period ended June 30, 2015 in the balance of Level 3 fair value measurements is as follows:

	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
January 1, 2014	—	—	—	—
Total gains or losses				
- in profit or loss for the current year	(21,740)	(21,740)	13,585	13,585
Purchases	8,908,820	8,908,820	(13,813,780)	(13,813,780)
Settlements	(3,267,990)	(3,267,990)	3,867,990	3,867,990
December 31, 2014	5,619,090	5,619,090	(9,932,205)	(9,932,205)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period	(21,740)	(21,740)	13,585	13,585

	Available for-sale financial assets	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
January 1, 2015	—	5,619,090	5,619,090	(9,932,205)	(9,932,205)
Total gains or losses					
- in profit or loss for the current period	—	94,054	94,054	(35,957)	(35,957)
- in other comprehensive income	76	—	76	—	—
Purchases	40,843	14,961,169	15,002,012	(14,895,213)	(14,895,213)
Settlements	—	(8,595,470)	(8,595,470)	10,566,670	10,566,670
June 30, 2015	40,919	12,078,843	12,119,762	(14,296,705)	(14,296,705)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period	—	94,054	94,054	(35,957)	(35,957)

During the year ended December 31, 2014 and the period ended June 30, 2015, there were no significant transfers into or out of Level 3.

50 Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the statements of financial position. Surplus funding is accounted for as deposits from customers.

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Entrusted loans	1,373,200	3,617,280	51,380,803	104,144,437
Entrusted funds	1,373,200	3,617,280	51,380,803	104,144,437

51 Commitments and contingent liabilities

(a) *Credit commitments*

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
Loan commitments				
— Original contractual maturity within one year	290,092	290,202	216,024	166,987
— Original contractual maturity more than one year (inclusive)	1,576,304	1,342,907	1,144,270	1,327,867
Credit card commitments	158,499	343,652	435,983	464,845
Sub-total	2,024,895	1,976,761	1,796,277	1,959,699
Acceptances	19,257,059	26,624,271	33,369,528	52,199,550
Letters of guarantees	78,421	116,428	1,782,946	5,268,962
Letters of credit	3,018,934	6,601,777	479,024	681,192
Total	24,379,309	35,319,237	37,427,775	60,109,403

The Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Loan commitments				
— Original contractual maturity within one year	290,092	290,202	216,024	166,987
— Original contractual maturity more than one year (inclusive)	1,576,304	1,342,907	1,144,270	1,327,867
Credit card commitments	158,499	343,652	435,983	464,845
Sub-total	2,024,895	1,976,761	1,796,277	1,959,699
Acceptances	19,257,059	26,624,271	33,369,528	52,199,550
Letters of guarantees	78,421	116,428	1,782,946	5,267,344
Letters of credit	3,018,934	6,601,777	479,024	681,192
Total	24,379,309	35,319,237	37,427,775	60,107,785

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) ***Operating lease commitments***

As at the end of each of the Relevant Periods, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group and the Bank

	At December 31,			At June 30,
	2012	2013	2014	2015
Within one year (inclusive)	24,471	49,901	42,920	42,033
After one year but within two years (inclusive)	22,547	58,007	47,415	52,486
After two years but within three years (inclusive)	44,471	57,600	47,376	67,259
After three years but within five years (inclusive)	89,484	114,996	155,567	162,862
After five years	173,874	177,784	140,728	70,744
Total	354,847	458,288	434,006	395,384

(c) ***Capital commitments***

As at the end of each of the Relevant Periods, the Group's authorized capital commitments are as follows:

	At December 31,			At June 30,
	2012	2013	2014	2015
Contracted but not paid for				
— Purchase of property and equipment	37,706	161,863	218,830	113,029
Total	37,706	161,863	218,830	113,029

(d) ***Outstanding litigations and disputes***

As at December 31, 2012, 2013, 2014 and June 30, 2015, the Group was the defendant in certain pending litigations and disputes with an estimated gross amounts of RMB158.74 million, RMB62.63 million, RMB70.45 million and RMB60.28 million, respectively.

The Bank was also involved in a shareholding dispute litigation with a former shareholder since July 2012 where the former shareholder requested the court to (i) order the Bank to issue to it a 12-year term warrants that are convertible into such numbers of shares equal to 9.16% of the Bank's total share capital in August 2012, and (ii) together with 2 other defendants jointly indemnify it with an amount of RMB103.9 million plus 9.16% of the Bank's profit recorded in its respective financial statements from 2010 to the date of court judgment. If the court judgment is unfavourable to the Bank and, in such event, shareholders' shareholdings in the Bank may be diluted, which would represent approximately 7.5% of the Bank's total share capital as of June 30, 2015 after the hypothetical issue and full exercise of the warrants, rendering the former shareholder become the Bank's single largest shareholder. The Bank's directors and its legal advisor in this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this shareholding dispute litigation is low.

No provisions have been made by the Group for the estimated losses of such litigations and disputes at the end of each of the Relevant Periods after consulting the opinions of the Group's internal and external legal counsels.

52 **Subsequent events**

(a) In July 2015, the Group subsequently repurchased an investment in beneficial interest transfer plan which was previously sold in June 2015. The details was disclosed in Note 24(b).

(b) In August 2015, the Group sold certain investments in the beneficial interest transfer plans. The details was disclosed in Note 24(b).

(c) In August 2015, the Group obtained approval from CBRC for the preparation of the establishment of Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). Up to the date of this report, the preparation is in progress.

(d) On 17 September 2015, the Group redeemed fixed rate subordinated debts of RMB500 million with an original term of ten years issued on 17 September 2010 at the nominal amount.

D SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Bank and its subsidiaries in respect of any period subsequent to June 30, 2015. Save as disclosed in the Financial Information, no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to June 30, 2015.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The information set out below does not form part of the Accountants' Report prepared by the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I in this prospectus, and is included herein for information purpose only.

1 Liquidity coverage ratio and leverage ratio (%)

	At December 31, 2012	Average for the year ended December 31, 2012	At December 31, 2013	Average for the year ended December 31, 2013
Liquidity coverage ratio (RMB and foreign currency)	369.81%	402.06%	159.41%	181.16%

	At December 31, 2014	Average for the year ended December 31, 2014	At June 30, 2015	Average for the period ended June 30, 2015
Liquidity coverage ratio (RMB and foreign currency)	381.05%	246.92%	233.72%	307.39%

Leverage Ratio

	At June 30, 2015
Leverage Ratio	4.68%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Currency concentrations

	At December 31, 2012			
	US Dollars	HK Dollars	Others	Total
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Spot assets	5,684,777	1,798	39,664	5,726,239
Spot liabilities	(5,554,897)	(1,593)	(39,178)	(5,595,668)
Net long position	129,880	205	486	130,571
Net structural position	—	—	—	—

	At December 31, 2013			
	US Dollars	HK Dollars	Others	Total
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Spot assets	6,171,047	79,302	74,021	6,324,370
Spot liabilities	(6,006,726)	(79,157)	(74,330)	(6,160,213)
Net long position	164,321	145	(309)	164,157
Net structural position	—	—	—	—

	At December 31, 2014			
	US Dollars	HK Dollars	Others	Total
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Spot assets	8,179,756	2,031	22,188	8,203,975
Spot liabilities	(7,922,036)	(1,925)	(20,195)	(7,944,156)
Net long position	257,720	106	1,993	259,819
Net structural position	—	—	—	—

	At June 30, 2015			
	US Dollars	HK Dollars	Others	Total
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Spot assets	7,631,149	1,155	44,944	7,677,248
Spot liabilities	(7,405,673)	(1,051)	(43,341)	(7,450,065)
Net long position	225,476	104	1,603	227,183
Net structural position	—	—	—	—

3 **International claims**

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At December 31, 2012		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	154,402	4,059,481	4,213,883
- of which attributed to Hong Kong	3,677	—	3,677
Europe	16,186	—	16,186
North and South America	98,671	—	98,671
	269,259	4,059,481	4,328,740

	At December 31, 2013		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	191,388	5,975,578	6,166,966
- of which attributed to Hong Kong	4,782	—	4,782
Europe	24,808	—	24,808
North and South America	45,048	—	45,048
	261,244	5,975,578	6,236,822

	At December 31, 2014		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	195,700	7,660,434	7,856,134
- of which attributed to Hong Kong	3,275	—	3,275
Europe	7,195	—	7,195
North and South America	249,555	—	249,555
	452,450	7,660,434	8,112,884

	At June 30, 2015		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,198,852	5,831,975	7,030,827
- of which attributed to Hong Kong	13,298	—	13,298
Europe	7,428	—	7,428
North and South America	185,499	—	185,499
	1,391,779	5,831,975	7,223,754

4 Loans and advances overdue for more than 90 days by geographical segments

	At December 31,			At June 30,
	2012	2013	2014	2015
Jinzhou	237,738	303,468	338,117	299,970
Northeastern China	122,661	251,552	446,208	484,366
Northern China	—	—	121,948	179,054
Total	360,399	555,020	906,273	963,390

5 Gross amount of loans and advances overdue for more than 90 days

	At December 31,			At June 30,
	2012	2013	2014	2015
Gross loans and advances which have been overdue with respect to either principal or interest for periods of				
- between 3 and 6 months (inclusive)	78,168	77,145	277,549	133,078
- between 6 months and 1 year (inclusive)	1,261	211,062	154,861	243,824
- between 1 year and 3 years (inclusive)	61,823	65,513	286,870	407,929
- over 3 years	219,147	201,300	186,993	178,559
Total	360,399	555,020	906,273	963,390
As a percentage of total gross loans and advances				
- between 3 and 6 months (inclusive)	0.12%	0.10%	0.31%	0.14%
- between 6 months and 1 year (inclusive)	0.00%	0.27%	0.17%	0.26%
- between 1 year and 3 years (inclusive)	0.10%	0.08%	0.32%	0.44%
- over 3 years	0.35%	0.26%	0.21%	0.19%
Total	0.57%	0.71%	1.01%	1.03%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At December 31, 2012, 2013, 2014 and June 30, 2015, the gross amount of overdue loans and advances overdue for more than 90 days of the Group were RMB360 million, RMB555 million, RMB906 million and RMB963 million, respectively. The covered portion of these overdue loans and advances were RMB72 million, RMB112 million, RMB217 million and RMB257 million, respectively. The fair value of collaterals held against these loans and advances amounted to RMB72 million, RMB112 million, RMB249 million and RMB291 million, respectively.

6 Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. As of December 31, 2012, 2013, 2014 and June 30, 2015, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.

The information set forth in this appendix does not form part of the Accountants' Report prepared by the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set forth in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma statement of adjusted consolidated net tangible assets of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the proposed offering by the Bank of its H ordinary shares (the "Global Offering") on the consolidated net tangible assets of the Group as of June 30, 2015, as if the Global Offering had taken place on June 30, 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2015 or at any future date.

	Consolidated net tangible assets as of June 30, 2015(1)	**Estimated net proceeds from the Global Offering**(2)(5)	**Unaudited pro forma adjusted consolidated net tangible assets**(3)	**Unaudited pro forma adjusted consolidated net tangible assets per share**(4)(5)	
	RMB Million	*RMB Million*	*RMB Million*	*RMB*	*HK$*
Based on the Offer Price of HK$4.64 per Offer Share	16,510.0	4,387.8	20,897.8	3.73	4.55
Based on the Offer Price of HK$5.54 per Offer Share	16,510.0	5,247.9	21,757.9	3.88	4.74

Notes:

(1) The consolidated net tangible assets attributable to shareholders of the Bank as of June 30, 2015 are based on the consolidated net assets attributable to shareholders of the Bank of RMB16,634.4 million less intangible assets of RMB124.4 million as of June 30, 2015.

(2) The estimated net proceeds from the Global Offering for the purpose of unaudited pro forma adjusted consolidated net tangible assets are based on the Offer Price of HK$4.64 (being the low-end of the proposed Offer Price range) and HK$5.54 per H Share (being the high-end of the proposed Offer Price range) and the assumption that there are 1,200,000,000 newly issued H Shares in the Global Offering, after deduction of the underwriting fees payable by us and the listing expenses expected to be capitalised upon the listing and taking no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets do not take into account the financial results or other transactions of the Bank subsequent to June 30, 2015.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share are arrived on the basis of 5,602,233,866 shares in issue assuming that the Global Offering has been completed on June 30, 2015 and that the Over-allotment Option is not exercised.

(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets per share are translated into Renminbi at the rate of RMB0.8193 to HK$1.00, the exchange rate set by the PBOC prevailing on October 30, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

November 24, 2015

TO THE DIRECTORS OF BANK OF JINZHOU CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") by the directors of the Bank (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as of June 30, 2015 and related notes as set out in Part A of Appendix III to the prospectus dated November 24, 2015 (the "Prospectus") issued by the Bank. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Bank (the "Global Offering") on the Group's financial position as of June 30, 2015 as if the Global Offering had taken place on June 30, 2015. As part of this process, information about the Group's financial position as of June 30, 2015 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as of June 30, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Bank's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix V —Taxation and Foreign Exchange" to this prospectus. For discussions of laws and regulations specifically governing finance-related activities, see the section entitled "Supervision and Regulation". This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to us. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. Laws and regulations relating to taxation in the PRC are discussed separately in Appendix V to this prospectus.

1.1 PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomy regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. The PRC Constitution defines the basic system and basic tasks of the state and is the fundamental law of the state; it is enacted by the National People's Congress ("**NPC**") and has supreme legal force. Court case verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The NPC and the Standing Committee of the NPC ("**NPC Standing Committee**") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal, civil and administrative matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the relevant provinces or autonomous regions but such local regulations shall conform with the constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The ministries, commissions, PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the PRC Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加强法律解釋工作的决議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. Supreme People's Procuratorate has the power to give interpretation on questions involving the specific application of laws and decrees in procuratorial work. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

1.2 PRC JUDICIAL SYSTEM

Pursuant to the Organic Law of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》) passed on July 1, 1979 and amended on December 2, 1986 and October 31, 2006, The judicial authority of the People's Republic of China is exercised by the following people's courts: (i) local people's courts at various levels; (ii) special people's courts such as military courts; (iii) the Supreme People's Court. The local people's courts are divided into three levels: the primary people's courts, the intermediary people's courts and the higher people's courts.

The primary people's courts are divided into criminal, civil, and economic divisions as well as certain people's courts based on the natures of the region, population and cases. The intermediary and higher people's courts are divided into criminal, civil, and economic divisions as well as other divisions as necessary. The Supreme People's Court is the highest judicial organ of the PRC, which is divided into criminal, civil, and economic divisions as well as other necessary divisions. The Supreme People's Court supervises the administration of justice by the local people's courts at various levels and by the special people's courts and gives interpretation on questions involving the specific application of laws and decrees in court trials.

The people's courts adopt a "second instance as final" appellate system in the trial of cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorate may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorate within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediary people's courts, the higher people's courts and the Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings and shall be legally-binding. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

If the presidents of the people's courts find errors in the confirmed facts or the application of laws in respect of their judgments and rulings which have become legally effective, the case must be submitted to the judicial committee for settlement. If the Supreme People's Court or a people's court at a higher level finds errors in the judgments and rulings which have become legally effective in the local people's courts at a lower level, the case may be brought to trial by the Supreme People's Court or by a people's court of a higher level or a retrial of the case may be conducted by the people's court at a lower level according to the command of the people's court at a higher level. If the Supreme People's Procuratorate or the people's procuratorate at a higher level find errors in the judgments and rulings which have become legally effective in the local people's courts at a lower level, an appeal may be lodged in accordance with the trial and supervision procedures.

Civil Procedure

The PRC Civil Procedure Law (《中華人民共和國訴訟法》), which was promulgated in 1991 and amended in 2007 and 2012, sets forth the jurisdiction, trial organization, withdrawal, participants in proceedings, testimony, time periods and service, conciliation, property preservation and preliminary execution, compulsory measures against impairment of civil actions, litigation costs, trial procedures (including ordinary procedure of the first instance, summary procedure, procedure of the second instance, special procedure, procedure for trial supervision, procedure of supervision and procedure for public invitation to assert claims), execution procedures and special stipulations for civil procedures involving foreign interests (including jurisdiction, time periods and service, arbitration and judicial assistance). All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law.

A civil case is generally heard by a court located in the defendant's place of domicile. The parties to disputes involving contracts or other property rights may also, by written agreement and subject to the provisions of level jurisdiction and exclusive jurisdiction, select the people's courts with its locality with effective connection of the disputes, such as the defendant's place of domicile, the place of performance of the contract, the place of execution of the contract, the plaintiff's place of domicile or the place of the object of the action.

Foreign individuals, stateless individuals and foreign enterprises and organizations shall have the same litigation rights and obligations as the citizens, legal persons and other organizations of the PRC when initiating actions or defending against litigations at the people's courts. Should the judicial court of a foreign country limit the civil litigation rights of the citizens, legal persons and other organizations of the PRC, the PRC courts may apply the same limitations to the citizens, enterprises and organizations of that foreign country. The foreign individual, stateless individual or foreign enterprise or organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people's courts. In accordance with the international treaties in which the PRC is a signatory or a participant or the principle of reciprocity, the people's court and foreign court may request each other to serve legal documents on their behalf, conduct investigation and collect evidence and conduct other actions. The people's courts shall not enforce any request made by the foreign courts which will result in the violation of sovereignty, security or public interests of the PRC.

If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The suspension or termination of the time limit for the submission of an application for enforcement shall be governed by the provisions on the suspension or termination of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A people's court may also request a foreign court for recognition and enforcement of the judgment or ruling in accordance with the international treaties to which the PRC is a signatory or a participant or the principle of reciprocity. In the case of an application or request for recognition and enforcement of a legally effective judgment or ruling of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or ruling, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations of the law. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

1.3 THE PRC COMPANY LAW

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in China:

- The PRC Company Law (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, took effect on July 1, 1994 and was revised as of December 25, 1999, August 28, 2004 ,October 27, 2005 and December 28, 2013, respectively;

- The Special Regulations on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), which were promulgated by the State Council on August 4, 1994 (the "**Special Regulations**"); and

- The Mandatory Provisions for the Articles of Association of Companies Listed Overseas (《到境外上市公司章程必備條款》) (the "**Mandatory Provisions**"), which were jointly promulgated by the Securities Committee and the State Restructuring Commission on August 27, 1994, and must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing.

Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to us.

General

A "joint stock limited company ("**company**")" refers to a corporate legal person established under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must be resident within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company shall not be offered to others unless the registered capital has been fully paid up. For companies incorporated by public subscription, the registered capital is the total paid-up capital as registered with the relevant registration authorities. If laws and regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have confirmed the capital contribution under the articles of association, a board and a supervisory board shall be elected and the board shall apply for registration of incorporation by filing the articles of association with the company registration authorities, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by the laws or administrative regulations. A promoter who offers shares to the public must publish a share offering prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities firms established under PRC law, and in accordance with signed underwriting agreements. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within 30 days. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board shall apply to the registration authorities for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

Promoters of a company under the PRC Company Law must be liable for: (i) the payment of all liabilities and expenses incurred in the act of incorporation jointly and severally if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

Under the PRC Company Law, a company's promoters may make capital contributions in cash, in kind or by way of intellectual property rights, land use rights or other transferable non-cash property based on their appraised value, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made with non-cash property, a valuation and verification of the property contributed must be carried out without any overvaluation or undervaluation. Where the law or administrative regulations in place have any other provisions on valuation, such provisions shall prevail. Pursuant to the Special Regulations, overseas-listed foreign investment shares issued must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued must be in registered form.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Pursuant to the Special Regulations and the Mandatory Provisions, overseas-listed foreign investment shares issued must be in registered form, denominated in Renminbi and subscribed for in a foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan, and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares. Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Increase in Registered Capital

Under the PRC Company Law, an issue of shares shall be conducted in a fair and equitable manner. Shares of the same class shall rank *pari passu* with one another. Shares of the same class in the same offer shall be issued on the same terms and at the same price. The same price per share shall be paid by any organisation or individual who subscribes for the shares in the same offer.

Where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by the CSRC, a new share offering prospectus and financial accounting report must be published and a share subscription form must be prepared. After the new share issue of the company has been paid up, the change must be registered with the relevant administration bureau for industry and commence for registration and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the incorporation of a company.

Reduction of Registered Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders at general meeting;
- the company shall notify its creditors of the reduction in registered capital within 10 days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction being passed;
- the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and
- the company must apply to the relevant administration bureau for industry and commence for registration of the change and reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a company may not repurchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to repurchase its shares from shareholders who are against the resolution regarding the merger or division with other companies in a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of purchase in the case of (i) above and transferred or cancelled within six months in the case of (ii) or (iv) above. Shares purchased in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such purchase shall be financed by funds appropriated from the company's profit after tax, and the shares so purchased shall be transferred to the company's employees within one year.

Transfer of Shares

The shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders must be carried out at a lawfully established securities exchange or in other manners stipulated by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name of the transferee and its address into the share register. No modifications of registration in the share register provided in the foregoing shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, whereas there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions. The transfer of bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder.

Under the PRC Company law, shares held by promoters within one year from the date of incorporation and shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any alternation of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, or six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of shareholders include:

(i) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

(ii) the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

(iii) the right to inspect the company's articles of association, share register, counterfoil of debentures, minutes of shareholder's general meetings, resolutions of board of directors, resolutions of board of supervisors and financial statements and to make proposals or enquires of the company's operations;

(iv) the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;

(v) the right to dividends and other types of interest distributed in proportion to the number of shares held;

(vi) in the event of the termination or liquidation of the company, the right to participate in the distribution of remaining assets of the company in accordance with the number of shares held; and

(vii) other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;

(iii) to examine and approve reports of the board of directors;

(iv) to examine and approve reports of the board of supervisors;

(v) to examine and approve the company's proposed annual financial budget and final accounts;

(vi) to examine and approve the company's proposals for profit distribution plans and losses recovery plans;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

(x) to amend the company's articles of association; and

(xi) other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, we are required to hold an extraordinary shareholders' general meeting within two months after the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;

(ii) the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;

(iii) when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(iv) whenever the board of directors deems necessary;

(v) when the board of supervisors so requests; or

(vi) other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, written notice shall be delivered to all the registered shareholders 45 days before the meeting, and the matters to be considered at and time and venue of the meeting shall be specified. The confirmation letters of our shareholders planning to attend the meeting shall be delivered to us 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders' constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered at and time and venue of the meeting to our Shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to Special Regulations, modification or abrogation of rights conferred to any class of shareholders must be passed both by special resolution of shareholders' general meeting and by class meeting convened, respectively by shareholders of the affected class.

Pursuant to Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting. Pursuant to the PRC Company Law, shareholders holding more than 3% of voting shares have a right to submit new proposals to the board of directors of the company 10 days before the shareholders' general meeting, and the board of directors shall notify the other shareholders of such proposals within two days from the date it receives the proposals and shall submit to the shareholders' general meeting for deliberation.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters must be adopted by more than two-third of the voting rights held by the shareholders present at the meeting:

(i) amendments to the articles of association;

(ii) the increase or decrease of registered capital;

(iii) the issue of any types of shares, warrants or other similar securities;

(iv) the issue of debentures;

(v) the merger, separation, dissolution, liquidation or change in the form of the company;

(vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign on the minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. Directors shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the statutory requirement.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

(i) to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed in shareholders' general meetings;

(iii) to decide on the company's business plans and investment proposals;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution and change in the form of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager and to decide on the remuneration, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) exercise any other power under the articles of association.

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting. Interim Board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors must be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

The PRC Company Law provides that the following persons may not serve as a director:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted of an offence of corruption, bribery, misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

(iii) a person who has been a former director, factory manager or manager of a company or enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the liquidation of the company or enterprise;

(iv) a person who has been a legal representative of an enterprise that has had its business license revoked because of unlawful operations and has been ordered to close down by law and the person was personally responsible for such revocation or close down, where less than three years have elapsed since the date of such revocation; or

(v) a person who is liable for a relatively large amount of debt which has not been repaid when due.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one-third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management officers shall not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint vice chairman. Pursuant to the Mandatory Provisions, the chairman of the board of supervisors shall be elected by approval of more than two-thirds of all the supervisors. According to the PRC Company Law, the chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. The chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the board of supervisors meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisors being less than the statutory requirement.

The board of supervisors exercises the following powers:

(i) to review the company's financials;

(ii) to supervise the directors and senior management officers in their performance of their duties and to propose the removal of directors and officers who have violated laws, regulations, the articles of association or shareholders' resolution;

(iii) when the acts of directors and senior management officers are harmful to the company's interests, to require correction of those acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

(v) to make proposals for resolutions to shareholders' general meeting;

(vi) to initiate proceedings against directors and senior management officers; and

(vii) other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work at the company's expense.

Chairman of the Board

Under the PRC Company Law, the board of directors shall have one chairman and one vice chairman. Chairman and vice chairman shall be elected by majority of all directors. The chairman convenes and chairs the board of directors meetings, and reviews the implementation of the broad of directors' resolutions. The vice chairman assists the chairman, and when the chairman of the board of directors cannot perform or fails to perform his/her duties and powers, the vice chairman shall act on his/her behalf; when the vice chairman cannot perform or fails to perform his/her duties and powers, a director elected jointly by half or more of all the directors shall act on his/her behalf.

Manager and Senior Management Officers

Under the PRC Company Law, a company may have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

(i) to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual business plans and investment proposals;

(iii) to draft the plan for the establishment of the company's internal management organization;

(iv) to formulate the basic administration system of the company;

(v) to formulate the company's detailed rules;

(vi) to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;

(vii) to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

(viii) to other powers conferred by the board of directors or the articles of association.

Other provisions of the articles of association concerning the manager's powers shall also be complied with. The manager shall be in attendance at board meetings.

According to the PRC Company Law, senior management officers shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, Manger and Other Senior Management Officers

Directors, supervisors and senior management officers of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management officers are prohibited from abusing their powers to accept bribes or other unlawful income and from embezzlement of the company's properties. Directors and senior management officers are prohibited from:

(i) misappropriation of company capital;

(ii) depositing company capital into accounts under his own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company's properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;

(v) using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accept and possess the commissions paid by others for transactions conducted with the company;

(vii) unauthorized disclosure of confidential business information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of these shall be returned to the company.

A director, supervisor or senior management officer who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

If any director or senior management violates laws, administrative regulations or the articles of association in performing his/her duties, which has caused losses to the company, shareholders individually or jointly holding 1% or more Shares of the company for at least 180 consecutive days may request the board of supervisors in writing to bring an action at the People's Court; if any supervisor violates laws, administrative regulations or the Articles of Association in performing his/her duties, which has caused losses to the company, the aforesaid shareholders may request the Board in writing to bring an action at the People's Court. If the board of supervisors or the board of directors refuses or fails to bring an action within 30 days after receiving the written request from shareholders according to the above requirements, or the situation is so urgent that if an action is not initiated promptly the company will suffer irremediable damages, the above shareholders has the right to bring an action at the People's Court directly in its own name. If any other person infringes the interest of the company, which has caused losses to the company, the aforesaid shareholders may also bring an action at the People's Court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, general managers and other senior management shall have fiduciary duties towards the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to PRC Company Law, the company shall deliver its financial statements to all the shareholders within the time limit stipulated in the articles of association and make its financial statements available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial statements.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached more than 50% of its registered capital). If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions. After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The joint stock limited company's remaining after-tax profits after making up losses and allocation of reserve fund must be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Profit distributed to shareholders by the shareholders' general meeting or the board of directors before making up losses and allocation of statutory reserve fund in violation of the foregoing provisions must be returned to the company. Shares held by the company shall not be entitled to any distribution of profit.

The premium received by the joint stock limited company through issuance of shares at prices above par value and other incomes required by the finance authority of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

Our reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund cannot be applied to make good the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firms

Pursuant to PRC Company Law, the appointment or dismissal of accounting firms responsible for the audit business of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm that we employ without any refusal, withholding and misrepresentation.

The Special Regulations requires us to employ an independent accounting firm complying with the relevant regulations to audit our annual report and review and check our other financial reports. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the Special Regulation of the PRC Company Law, the dividends and other distributions to be paid to holders of overseas listed and foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and our Articles of Association. If an amendment to the Articles of Association involves the content of Mandatory Provisions, such amendment shall be effective upon approval granted by the approving authority under the State Council for companies and the securities commission under the State Council, if an amendment involves a registered particular of the Company, registration of the change shall be carried out in accordance with the law.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and that the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting. Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment, and issue public notices in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, but cannot carry on any operating activities that are not related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation group shall hand over all affairs of the liquidation to the people's court. Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties in good faith and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Members of the liquidation group shall perform their duty honestly and discharge the obligation of liquidation in accordance with laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties. A member of the liquidation group is liable to indemnify the company or its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

According to the Special Regulations, a company may issue shares to overseas investors, whether intended or not, and its shares can be listed overseas upon approval of the securities regulatory authorities of the State Council. Subject to approval of the company's plans to issue overseas-listed foreign investment shares and domestic shares by the securities regulatory authorities of the State Council, the board of directors of the company may make arrangement to implement such plans for the issue of such shares. The company's plans to issue overseas-listed foreign investment shares and domestic shares, respectively pursuant to the provisions aforesaid may be implemented, respectively within 15 months from the date of approval of the securities regulatory authorities of the State Council.

Loss of Share Certificates

According to the PRC Company Law, a shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court in the event that his/her share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for the issue of replacement certificate(s). A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Merger and Separation

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a separation, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's separation is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the separation in newspapers within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to the separation shall be jointly borne by the separated companies.

Changes in the particulars of the companies as a result of the merger or separation shall, if so required, be registered with the relevant administration bureau for industry and commence for registration.

In accordance with the laws, cancellation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

1.4 **The PRC Securities Laws, Regulations and Regulatory Regimes**

The PRC has promulgated a number of regulations that relate to the issue and trading of the shares and disclosure of information by the company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issuance and Trading of Shares (股票發行與交易管理暫行條例) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定) (the "**Provisional Securities Regulations**"). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law (中華人民共和國證券法) took effect on July 1, 1999 and was revised as at August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that domestic enterprises must obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

1.5 Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (中華人民共和國仲裁法) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to use arbitration as a method for settlement of disputes, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, in a contract between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of H shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the CIETAC or the HKIAC. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognised and enforced by a PRC court in accordance with the principle of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only recognise and enforce foreign arbitral awards based on the principle of reciprocity; and (ii) the PRC will only apply the New York Convention to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations. An arrangement for reciprocal enforcement of arbitral awards between Hong Kong and the PRC was signed on June 18, 1999, approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on February 1, 2000. The arrangement reflects the spirit of the New York Convention, allowing awards made by PRC arbitral authorities to be enforced in Hong Kong and awards by Hong Kong arbitral authorities to be enforced in the PRC.

1.6 Summary of material differences between certain company law matters in the PRC and Hong Kong

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company having share capital, is incorporated and will acquire an independent corporate existence after the Registrar of Companies in Hong Kong has issued a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The latest amended PRC Company Law in 2013 has abolished the provision that the minimum registered capital of a joint stock limited company should be RMB5 million, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than its issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders (if necessary), cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, a joint stock limited company's shareholders may make capital contributions in cash, in kind or by way of intellectual property rights, land use rights or other transferable non-cash property based on their appraised value, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made with non-cash property, a valuation and verification of the property contributed must be carried out without any overvaluation or undervaluation. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, A shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed H shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of an acquisition of shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a company's directors and senior management are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that supervisors owe duties, in the exercise of their authorities endowed by the company, to act honestly and in good faith in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favour of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minority Shareholders

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. Under the Mandatory Provisions, in addition to obligations imposed by laws, administrative regulations or the listing rules required by the stock exchange on which shares of the company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the all or part of the shareholders: (1) to relieve the responsibility of a director or supervisor to act honestly in the best interests of the company; (2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), in any way, of the company's assets, including (without limitation to) opportunities beneficial to the company; or (3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation to) rights to distributions and voting rights save pursuant to a restructuring proposal submitted to shareholders for approval in accordance with the articles of association.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting (containing time, place of and matters to be considered at the meeting) must be given to each shareholder 20 days before the meeting, while notice of an extraordinary meeting must be given to each shareholder 15 days before the meeting. Under the Special Regulations and the Mandatory Provisions, a written notice of a shareholders' general meeting must be given 45 days before the meeting, informing the shareholders whose names are on the register of shareholders about the matters to be considered at the meeting as well as the date and place appointed for holding the meeting. For a company incorporated in Hong

Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a shareholders' meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, a quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting. However, the Special Regulations and the Mandatory Provisions provide that, the company shall, based on the written replies received 20 days before the date of the shareholders' general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches one half or more of the company's total voting shares, the company may hold the meeting; if not, the company shall within 5 days notify the shareholders by public notice of the matters to be transacted at, the date and place for, the meeting and the company may convene such meeting after making such announcement.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution at a general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. A joint stock limited company issuing its shares in public must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and report of the directors not less than 21 days before such meeting.

Under the Mandatory Provisions, financial statements shall, in addition to be prepared by the company in accordance with the Generally Accepted Accounting Principles of China and applicable laws, rules and regulations in China, be also prepared in accordance with the generally accepted accounting principles of the international community or the overseas places where the shares are listed. Any material discrepancies in the two sets of statements prepared based on above-mentioned principles shall be explained in the explanatory notes attached. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, and an annual financial report shall be published within 120 days after the end of each accounting year.

Under the Special Regulations, there should not be any contradiction between the documents prepared by the company to disclose information within and outside the PRC. If there are differences in the information disclosed within and outside the PRC or in different countries and regions outside the PRC in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously on the relevant stock exchanges.

Information on Directors and Shareholders

Under the PRC Company Law, shareholders have the right to inspect and copy the company's articles of association, minutes of the shareholders' general meetings, resolutions passed at meetings of the board of directors, resolutions passed at meetings of the board of supervisors and financial and accounting reports, similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas-listed foreign investment shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas-listed foreign investment shares. The receiving agents appointed by the company shall meet the requirements of the laws of the place where the company's shares are listed or the relevant regulations of those stock exchanges.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 166 of the Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that the party seeking arbitration may elect for arbitration to be carried out at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules.

Mandatory Deductions

Under the PRC Company Law, when allocating the after-tax profits of the current year, the company shall allocate ten percent (10%) of its profit to the statutory common reserve fund. In the event that the accumulated statutory common reserve fund of the company has reached more than fifty percent (50%) of the registered capital of the company, no allocation is needed. There are no corresponding provisions under the Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management infringes any law, administrative regulation or the articles of association of the company in carrying out his duties, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. Furthermore, according to the requirements of the Mandatory Provisions, the articles of association shall set out other measures that a company is entitled to take in addition to those rights and remedies provided in laws and administrative regulations in the event that a director, supervisor, manager and other senior management of the company fails to discharge his/her obligations to the company. These measures are similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of H shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent. Under the Special Regulations, directors, supervisors, managers and other senior management of a company have fiduciary duties and obligations of diligence toward the company. They shall comply with the articles of association, loyally perform their duties, safeguard the interests of the company and may not use their positions and powers in the company to seek private gain for themselves.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under special circumstances) in a year, whereas, as required by the Mandatory Provisions, no revision of the register of shareholders shall be registered on account of a share transfer within 30 days before the date of a shareholders' meeting or within 5 days before the base date for dividend distribution as decided upon by the company.

1.7 **Listing Rules**

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance adviser

A listed company is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period commencing on the Listing Date and ending on the date of publication of its financial results for the first full financial year commencing after the Listing Date, to provide it with professional advice on continuous compliance with the Listing Rules, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the listed company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the listed company informed on a timely basis of changes in the Listing Rules and any new or amended laws, regulations or codes in Hong Kong applicable to the company. It must act as the listed company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the listed company are expected to be frequently outside Hong Kong.

Accountant's Report

An accountant's report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either HKFRS or IFRS.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H Shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10,000 million.

Independent Non-Executive Directors and Supervisors

Independent non-executive Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and its articles of association, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. It must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code or any similar PRC law of which directors are aware, if any. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required to the extent that the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and foreign shares as at the date of the passing of the relevant special resolution, or such shares are issued as part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee or such other competent state council securities regulatory authorities.

Supervisors

A listed company is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the listed company (or the subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A listed company may not permit or cause any amendment to its articles of association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

A listed company is required to make available at a place in Hong Kong for inspection by the public and its shareholders free of charge, and for copying by its shareholders at reasonable charges the following:

- complete duplicate register of shareholders;
- report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and (if any) supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the PRC SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;

- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the Bank and for each director, supervisor, manager and other senior management), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;

- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and

- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A company is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;

- an undertaking by the director or senior management to it acting as agent for each shareholder to observe and comply with his obligations to the shareholders as stipulated in the articles of association;

- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between the company and its directors or senior management and between a holder of H shares and a director or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of HKIAC;

- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

- the award of the arbitration body is final and shall be binding on the parties thereto;

- the agreement to arbitrate is made by the Director or officer with our Bank on our own behalf and on behalf of each Shareholder; and

- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

The relevant company is required to enter into a contract in writing with every supervisor containing terms substantially similar to those for directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws must govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and must be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing. Upon listing on the Hong Kong Stock Exchange, companies listed on the Hong Kong Stock Exchange will be subject to the provisions of the Hong Kong Securities and Futures Ordinance, the Hong Kong Takeovers Code and such other relevant ordinances and regulations as may be applicable.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal must, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal must order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

1. TAXATION

1.1 Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. This discussion does not deal with all possible tax consequences relating to the investment in the H Shares. Accordingly, you should consult your own tax adviser regarding the tax consequences of the investment in H Shares. This discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change.

1.1.1 *The PRC*

Dividends

Individual investors. According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) (the "**IIT Law**") promulgated on September 10, 1980, and amended for six times on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007 and June 30, 2011, and the Regulation on the Implementation of the Individual Income Tax Law (中華人民共和國個人所得稅法實施條例) (the "**Regulation on Implementation of IIT Law**") promulgated on January 28, 1994 and amended for three times on December 19, 2005, February 28, 2008 and July 19, 2011, individual shareholders are subject to income tax at a flat rate of 20% in respect of dividends paid by PRC companies. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) promulgated by the SAT on June 28, 2011, dividends received by overseas resident individual shareholders from domestic non-foreign invested enterprises which have issued shares in Hong Kong are subject to individual income tax, which shall be withheld and paid by such domestic non-foreign invested enterprises acting as a withholding agent according to relevant laws. Overseas resident individual shareholders of domestic non-foreign invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau), overseas resident individuals shall apply for relevant preferential tax treatment and complete relevant formalities in person or through an agent appointed in writing. Since dividends are generally subject to income tax at a tax rate of 10% as required by relevant tax regulations and arrangements, and there is a large number of shareholders and in order to simplify the collection of tax, individual shareholders are generally subject to a withholding tax rate of 10% without any application when domestic non-foreign invested enterprises which have issued shares in Hong Kong distribute dividends. Where the tax rates on dividends are not 10%, the following requirements will apply:

- For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates lower than 10%, the withholding agent will apply on behalf of them to seek entitlement of preferential tax treatments pursuant to Guo Shui Fa [2009] No.124, and upon approval by the competent tax authorities, the excess amounts withheld will be refunded;

- For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, the withholding agent will withhold and pay the individual income tax at the agreed effective tax rates under the treaties, without seeking such approval;

- For individuals receiving dividends who are citizens from countries without tax treaties with the PRC or under other circumstances, the withholding agent will withhold and pay the individual income tax at the rate of 20%.

Corporate investors. According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the "**Regulation on the Implementation of EIT Law**"), both effective from January 1, 2008, a non-resident enterprise without an establishment or place of business in the PRC, or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, is subject to enterprise income tax at a flat tax rate of 10% on PRC-sourced income (including the dividends received from China resident enterprise which have issued shares in Hong Kong); where any provision in a tax treaty concluded between the PRC government and a foreign (regional) government is different from the provisions in the EIT Law, the provision in the tax treaty shall prevail; for such income taxes payable by non-resident enterprises, the obligation to withhold and pay income tax at source in accordance with relevant laws falls upon the payer, who shall withhold and pay the enterprise income tax from the amount to be paid or due payable amount when paying such amount relating to the incomes to any non-resident enterprise each time. According to the Circular of SAT on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號)) issued by the SAT on November 6, 2008, PRC resident enterprises shall withhold and pay the enterprise income tax at a flat rate of 10% for distribution of dividends for years starting from 2008 and onwards to their overseas non-resident enterprise shareholders of H Shares. The Response of SAT to Questions on Enterprise Income Tax on Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (Guo Shui Han [2009] No. 394) (國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆(國稅函[2009]394號)) issued by SAT on July 24, 2009 further provides that any PRC resident enterprise that publicly issues A-shares, B-shares or overseas shares(such as our H Shares) on stock exchanges in or outside the PRC shall withhold and pay enterprise income tax at a flat rate of 10% for distribution of dividends for years starting from 2008 and onwards to their non-resident corporate shareholders. Such tax rate may be reduced or exempted pursuant to the tax treaties or agreements (where applicable) entered into between the PRC and jurisdictions to which such non-resident enterprises belong.

According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed between Mainland China and Hong Kong on August 21, 2006, dividends paid by a company which is a resident of one side to residents of the other side may be taxed by the other side. However, such dividends may also be taxed in accordance with the laws of the side of which the dividend paying company is a resident. But if the beneficial owner of such dividends is a resident of the other side, then the amount of tax levied shall not exceed: (1) 5% of the gross amount of the dividends if the beneficial owner has direct ownership of at least 25% of the share capital of the company paying the dividends; (2) 10% of the gross amount of the dividends under other circumstances. Therefore, tax may be charged by the PRC government on dividends payable to residents in Hong Kong by PRC companies, but the amount of tax charged shall not exceed 10% of the gross amount of the dividends payable, and if the resident in Hong Kong is a holder of at least 25% of equity interest in the PRC company, then the amount of tax charged shall not exceed 5% of the gross amount of the dividends payable by the PRC company.

Capital gains

Individual investors. According to the IIT Law, individuals are subject to individual income tax at the tax rate of 20% on income from transfer of property. Pursuant to the Regulation on the Implementation of IIT Law, the MOF shall draft the measures for levying individual income tax on income from transfer of shares, which shall come into effect upon approval of the State Council. As of the Latest Practicable Date, however, no legislation expressly provided individual income tax shall be levied on gains realized by non-resident individual holders of shares of PRC enterprises listed on overseas stock exchanges, and in practice, no individual income tax has been levied by the PRC tax authorities on such gains so far.

Corporate investors. According to the EIT Law and the Regulation on the Implementation of EIT Law, both effective on January 1, 2008, a non-resident enterprise without an establishment or place of business in the PRC, or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, is subject to enterprise income tax at a flat tax rate of 10% on PRC-sourced income (including gains from disposal of equity interests in PRC companies); for such income taxes payable by non-resident enterprises, the obligation to withhold and pay income tax at source falls upon the payer, who shall withhold and pay the enterprise income tax from the amount to be paid or due payable prices when paying such amount relating to the incomes to any non-resident enterprise each time. Such tax rates may be reduced pursuant to the special arrangements or applicable treaties entered into between the PRC and the jurisdiction where the non-resident enterprise domiciles.

Additional PRC tax considerations

PRC stamp duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例), which became effective on October 1, 1988 and was amended on August 1, 2011, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例施行細則), which became effective on September 29, 1988 and was amended on November 5, 2004, PRC stamp duty is imposed on documents that are legally binding in the PRC and protected under PRC laws. Therefore, PRC stamp duty should not apply to acquisitions or dispositions by non-PRC investors of our H Shares outside of the PRC.

Estate duty. No estate duty has been defined and levied in China so far.

1.1.2 ***Hong Kong***

Tax on dividends

Under the current practice, no tax is payable in Hong Kong in respect of dividends paid by us.

Tax on sales gains

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers could prove that the investment securities are held for long-term investment purpose.

Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 repealed the relevant provisions of estate duty in respect of holders of H shares whose deaths occur on or after February 11, 2006.

Hong Kong Taxation

Our Directors are of the opinion that we are not subject to Hong Kong taxations as no revenue is derived from or arise in Hong Kong in respect of Hong Kong taxations.

1.2 **Our Principal Taxes in the PRC**

Enterprise Income Tax

As stipulated under the EIT Law, enterprises and other organizations which generate income within the PRC are enterprise income taxpayers and shall pay enterprise income tax according to stipulations of the EIT Law. The EIT Law and the Regulation on the Implementation of EIT Law has come into effect on January 1, 2008, while the Income Tax Law of the People's Republic of China Concerning Foreign Investment Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) and Provisional Regulations of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例) were abrogated on the same date.

Pursuant to the EIT Law and its implementation rules, the income tax rate for PRC enterprises is reduced from the original 33% to 25%, same as the rate applied to foreign investment enterprises and foreign enterprises.

Business Tax

Pursuant to the Provisional Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例), which became effective on January 1, 1994, subsequently amended on November 5, 2008 and implemented on January 1, 2009, enterprises (including foreign investment enterprises) and individuals that provide various labor services and transfer intangible assets or sell real estates within the PRC are subject to the business tax at a rate of 3% or 5% of the amount of taxable services or other transactions, except for the entertainment sector, the turnover of which is subject to the business tax at a rate of 5% to 20%.

2. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls. The State Administration of Foreign Exchange of the PRC ("**SAFE**"), which is under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of the Regulation of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the "**Regulation on Foreign Exchange**").

In accordance with the Notice of the State Council on Further Reforming the Foreign Exchange Management System (GuoFa [1993] No.89) (國務院關於進一步改革外匯管理體制的通知) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items was implemented, and the official Renminbi exchange rate and the market rate for Renminbi were unified. A unitary and managed floating rate based on market demand and supply was introduced. The PBOC set and published daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other currencies with reference to the changes in the international foreign exchange markets, which was permitted to float to a certain extent in foreign exchange transactions.

On January 29, 1996, the State Council promulgated the Regulation on Foreign Exchange which became effective from April 1, 1996. The Regulation on Foreign Exchange classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are subject to SAFE approval. Regulation on Foreign Exchange was subsequently amended on January 14, 1997 and on August 5, 2008. The latest amended Regulation on Foreign Exchange clarifies that the PRC shall not restrict international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

Pursuant to the Public Announcement of the PBOC on Improving the Reform of the Renminbi Exchange Rate Regime (PBOC Public Announcement (2005) No.16) (關於完善人民幣匯率形成機制改革的公告(中國人民銀行公告[2005]第16號)) issued by the PBOC on July 21, 2005 and effective on the same day, the PRC began to implement a managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies. Therefore, the RMB exchange rate was no longer pegged to the U.S. dollar only, and a more flexible Renminbi Exchange Rate Regime was formed. The PBOC would announce the closing price of a foreign currency such as the U.S. dollar against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day. This closing price will be used as the middle price for quoting the RMB exchange rate on the following working day.

Under the related issues on further improving the interbank spot foreign exchange market, and the method of generating the middle price for quoting the RMB exchange rate (the PBOC Announcement (2006) No.1) effective on January 4, 2006, the PBOC has authorized China Foreign Exchange Trading Center to publish the middle price for the exchange of Renminbi to the U.S. dollar, Euro, Japanese yen and Hong Kong dollar at 9:15 am on each business day, which will be used as the middle prices of exchange rates for transactions in interbank foreign exchange spot market (including OTC and automatic price-matching transactions) and bank counter transactions. Pursuant to the PBOC Notice On Issues Concerning The Administration of Exchange Rates In Interbank Foreign Exchange Market Transactions And Exchange Rates Quoted By Banks (Yin Fa [2014] No. 188) (中國人民銀行

關於銀行間外匯市場交易匯價和銀行掛牌匯價管理有關事項的通知) (銀發[2014]188號) issued by the PBOC on July 1, 2014, with effect from July 1, 2014, the China Foreign Exchange Trading Center under the authorization of the PBOC shall publish the middle price of exchange rates between Renminbi and U.S. dollar, Euro, Japanese yen, Hong Kong dollar, Pound Sterling, Malaysian Ringgit, Russian ruble, Australian dollar, Canadian dollar and New Zealand dollar at 9:15 a.m. on each business day to be used as the middle price of exchange rates for transactions in the interbank foreign exchange spot market (including OTC and price-matching transactions) to be conducted on that day. The middle price of exchange rates published by the China Foreign Exchange Trading Center under the authorization of the PBOC on a date shall be applicable for the period after the publication of such middle price and before the publication of the next middle price of exchange rates.

On August 5, 2008, the State Council promulgated the revised Regulation of the People's Republic of China on Foreign Exchange Administration (the "**Revised Regulation on Foreign Exchange**"), which made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Regulation on Foreign Exchange has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Regulation on Foreign Exchange has improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Regulation on Foreign Exchange has enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the PRC may adopt necessary safeguard or control measures. Fourth, the Revised Regulation on Foreign Exchange has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

Pursuant to the Circular on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies ("Huifa [2012] No. 59",《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which was issued by the SAFE, became effective on December 17, 2012 and was amended on May 4, 2015, and the Registration of Foreign Debt Guideline ("Huifa [2013] No. 19" ,《國家外匯管理局關於發佈<外債登記管理辦法>的通知》) which was issued by the SAFE, became effective on May 13, 2013 and was amended on May 4, 2015, the regulation method shifted from proactive regulation and supervision to after management and the management mode is changed from case-by-case examination to after examination and key inspection.

As for services trade, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. As for goods trade, Class A enterprises determined by the SAFE and Class B enterprises which have quota for the payment of foreign currencies, in general may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which according to regulations are required to pay dividends to shareholders in foreign exchange (like us), may on the strength of board resolutions or the resolution of shareholder's meeting on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

According to the Circular of the SAFE on Further Improving and Adjusting the Policies on Capital Account Foreign Exchange Administration (《國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知》) which was promulgated by SAFE on January 10, 2014 and became effective on February 10, 2014: In principle, a bank is no longer required to examine transaction documents when handling the outflow of profits of not more than the equivalent of USD 50,000 for a domestic institution. When handling the outflow of profits exceeding the equivalent of USD 50,000, the bank, in principle, is no longer required to examine the financial audit report and capital verification report of the domestic institution, provided that it shall examine, according to the principle of transaction authenticity, the profit distribution resolution of the board of directors (or the profit distribution resolution of all partners) that is related to this profit outflow and the original copy of its tax record-filing form. After each profit outflow, the bank shall affix endorsements on the original copy of the relevant tax record-filing form to indicate the actual amount of the profit outflow and the date of outflow. Restrictions that the amount of profits disposed of by an enterprise in the current year shall, in principle, not exceed the sum of the "dividends payable" and the "undistributed earnings" attributable to foreign shareholders in the latest financial audit report shall be abolished.

In addition, the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (HuiFa [2014] No.54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) was promulgated by SAFE on 26 December, 2014. According to such notice, since the date of promulgating such notice, onshore issuers shall register in relation to its offshore listing with local SAFE branch (the "**Local SAFE branch**") it registered with relevant materials within 15 working days upon the completion of the listing and issue overseas. If no error is found after the review of the aforesaid materials, the Local SAFE branch shall complete the registration for onshore issuers in the capital items information system (the "**System**"), and print the registration evidence through the System, which pass to onshore issuers after sealed with the business chop. Onshore issuers shall complete the opening of account for oversea listing and relevant businesses with such registration evidence. Onshore issuers may repatriate the capital raised offshore to offshore or place in onshore. The capital purpose shall be consistent with the related contents set out in publicly disclosed documents such as the prospectus or corporate bond prospectus, shareholder circulars, resolutions in the Board meeting or general meeting.

On November 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《國務院關於取消和調整一批行政審批項目等事項的決定》(國發[2014]50號)), which canceled the approval requirement for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts. So far, the SAFE has not promulgated any specific rules in this regard.

Pursuant to the Circular on Further Simplifying and Improving Direct Investment Foreign Exchange Administration Policies ("Huifa [2015] No. 13",《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) which was issued by the SAFE and implemented on February 13, 2015 and June 1, 2015 respectively, two administrative approvals were abolished, namely the foreign exchange registration approval under the PRC direct investment and the foreign exchange registration approval under the oversea direct investment. Parts of direct investment foreign exchange business procedure were further simplified.

This appendix summarized the Articles of Association of our bank (the "**Bank**") for the purpose of providing potential investors with an overview of it. As the information set out below is only a summary, it does not contain all of the information which may be important to potential investors. Chinese texts and English translation of our Articles of Association are available for inspection as described in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection—2. Documents Available for Inspection" in Appendix VIII to the prospectus.

Our Articles of Association were adopted by our shareholders in the shareholders' general meeting held on October 14, 2014 and were approved by the CBRC Liaoning Bureau on November 4, 2014. Our Article of Association will become effective on the date that our H Shares are listed on the Hong Kong Stock Exchange.

(a) **Classes of Shares**

Shareholders holding different types of shares shall be shareholders of different classes.

Shareholders of different classes shall enjoy the rights and assume the obligations stipulated by laws, regulations, and our Articles of Association.

Except shareholders holding other types of shares, shareholders holding domestic-listed shares and shareholders holding overseas-listed shares are considered as shareholders of different classes.

Shareholders of different classes shall enjoy the same rights in any distribution in the form of dividends or any other form.

(b) **Directors**

Board

The Board of the Bank is accountable to the shareholders' general meeting, and shall exercise the functions and authorities in accordance with the laws, administrative regulations and our Articles of Association. The Board is comprised of 15 directors, of which the independent directors shall account for more than one third of the total members of the Board, among whom at least one member shall be an accounting professional. The Board shall have one chairman who shall both be held by directors of the Bank, and shall be elected and removed by more than one-half of all directors of the Bank.

The Board exercises the following functions and authorities:

- to convene the Shareholders' General Meeting, and report to the Shareholders' General Meeting;
- to implement the resolutions of the Shareholders' General Meeting;
- to decide on the development plans of the Bank;

- to decide on operation plans, investment plans and major assets disposal plans of the Bank;
- to formulate annual financial budgets and final accounts of the Bank;
- to formulate profit distribution plans and loss recovery plans of the Bank;
- to formulate proposals on the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Bank;
- to formulate proposals on major acquisitions by the Bank, acquisitions of the stock of the Bank or merger, division, dissolution and change of the corporate form;
- to regularly evaluate and improve the Bank's corporate governance;
- to decide on external investment, acquisition and disposal of assets, assets mortgage, external security, related transactions and other matters of the Bank, within the scope of authorization of the Shareholders' General Meeting;
- to determine arrangement plans for the Bank's internal management institutions, branches and personnel and positions of the managers;
- to appoint or dismiss the president or secretary to the Board of the Bank, according to the nomination of the chairman of the Board; appoint or dismiss senior management such as the vice-president, assistant president and financial chief, according to the nomination of the president;
- to decide on remuneration and disciplinary measures of senior management personnel;
- to formulate basic management system and explicate the working rules for the president;
- to formulate proposal on amendments to the Articles of Association of the Bank;
- to manage the information disclosure matters of the Bank;
- to propose on the engagement or replacement of the accounting firm that audits the Bank to the Shareholders' General Meeting;
- to listen to the work report of the president of the Bank and check the work of the president;
- to check the compliance with the Corporate Governance Code in the Listing Rules of the Hong Kong Stock Exchange by the Bank and the disclosure in the annual Corporate Governance Report; and
- other functions and powers granted by laws, administrative regulations, department rules or the Articles of Association of the Bank.

Chairman of Board

The chairman of the Board shall exercise the following duties and powers:

- to preside over the shareholders' general meeting, and convening and presiding over the Board meetings;
- to supervise and inspect the implementation of resolutions of the Board;
- to sign certificates of bonds and others marketable securities of the Bank;
- to propose to the Board of the Bank candidates for president or secretary to the Board or other persons whom shall be proposed by the Chairman of the Board and be appointed or dismissed by the Board;
- to propose candidates of the special committees to the Board of the Bank;
- to sign important documents of the Board and other documents that shall be signed by the legal representative of the Bank;
- to exercise special powers in connection with the affairs of the Bank under the emergency circumstance of material natural disaster and force majeure in compliance with statutory rules and in the interest of the Bank and reporting to the Board or the shareholders' general meeting of the Bank afterwards;
- to exercise the duties as legal representative of the Bank; and
- other duties and powers as authorized by the Board.

When the chairman of the Board cannot perform or fails to perform his/her duties and powers, a director elected jointly by half or more of all the directors shall act on his/her behalf.

(i) ***Power to allot and issue shares***

There is no provision in the Articles of Association empowering the directors, supervisors and senior management to allot and issue shares.

Any proposal to increase the registered capital of the Bank must be submitted for approval by a special resolution of the shareholders' general meeting. Any such increase is subject to approval of relevant regulatory authorities.

(ii) ***Power to dispose of the assets of the Bank or any subsidiary banks (subsidiary companies)***

When disposing of fixed assets, if the expected value of the fixed assets the Board intends to dispose of and the total value of the fixed assets already disposed of four months before such disposal proposal in aggregate exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed by the shareholders' general meeting, the Board must not dispose of or consent to the disposal of such fixed assets before such disposal is approved by the shareholders' general meeting.

The effectiveness of transactions conducted by the Bank to dispose of fixed assets is not subject to the violation of the aforesaid item.

For our Articles of Association, disposal of fixed assets referred to above includes the transfer of certain interests of assets, but excludes the provision of security using fixed assets.

(iii) ***Remuneration, compensation or payment for loss of office***

The remuneration of the directors shall be subject to the approval of shareholders' general meeting. The Bank shall sign written agreements with its directors and supervisors in the matter of remuneration with the prior approval of shareholders' general meeting. The matter of remuneration above includes:

- remuneration for positions as the Bank's directors, supervisors or senior management;
- remuneration for positions as the directors, supervisors or senior management of subsidiaries of the Bank;
- remuneration for other services supporting the management of the Bank and its subsidiaries; and
- compensation for a director or supervisor's loss of office or retirement.

Unless pursuant to the aforesaid agreements, the directors and supervisors shall not file any lawsuit against the Bank and claim the benefits they shall obtain for the foregoing matters.

There shall be a provision in the contract in relation to remuneration made between the Bank and our directors or supervisors that, in the event of a takeover of our Bank, the directors or the supervisors shall be entitled to receive compensation or other payments as a result of loss of office or retirement, provided that prior approval shall have been obtained at a shareholders' general meeting. A takeover of the Bank referred to above means either:

- a takeover offer to all shareholders has been made by any person; or
- a takeover offer has been made by any person to enable the offeror to become the controlling shareholder as defined in our Articles of Association.

If the relevant director or supervisor does not comply with this provision, any sum so received by him/her shall belong to those who have sold their shares as a result of the said offer. The expenses incurred in distributing such sum pro rata amongst those persons shall be borne by such director or supervisor and shall not be deducted from the sum to be received by him/her.

(iv) ***Loans to directors, supervisors and senior management***

The Bank shall not, directly or indirectly, provide loans or loan guarantees for its and its parent company's directors, supervisors, or senior management, nor shall it provide the same to their related persons.

The following situations are not subject to the above provisions:

- the provision of a loan or a guarantee for a loan by the Bank to its subsidiary banks (subsidiary companies);

- the provision of a loan or a guarantee for a loan or any other funds by the Bank to any of its directors, supervisors, or other senior management to meet expenditure incurred by him/her for the purpose of the Bank or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting; and

- the Bank may provide loans or loan guarantees for directors, supervisors, and senior management and their respective related persons based on normal commercial terms.

A loan made by the Bank in breach of the above provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A loan guarantee made by the Bank in breach of the above provisions shall not be enforceable on the Bank, with the following exceptions:

- The lender is unaware about actual situation when a loan is extended to directors, supervisors and senior management members of the Bank or its parent company and their respective associates; and

- Collaterals provided by the Bank have legally been sold to a bona fide purchaser.

(v) ***Financial assistance to purchase our shares***

The Bank or the subsidiary banks (subsidiary companies) shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers for behaviors of purchasing or proposing to purchase the Bank's shares. Such purchasers of the Bank's shares as mentioned above shall include those who directly or indirectly assume the obligations due to purchase of the shares of the Bank.

The Bank or the subsidiary banks (subsidiary companies) shall not offer any financial assistance at any time by any means in order to reduce or relieve the obligations of the aforesaid obligator due to their purchase or intention of purchase of the shares of the Bank.

For these purposes, the "financial assistance" shall include but is not limited to the following means:

- gifts;
- guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than the compensation in respect of the Bank's fault) or release or waiver of any rights;
- provision of loan or any other agreement under which the obligations of the Bank are to be fulfilled before the obligations of another party, or a change in the parties to, or the novation of, or the assignment of rights arising under, such loan or agreement; and
- any other form of financial assistance given by the Bank when the Bank is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

The "obligations" herein referred to shall include the obligations of the obligator by signing a contract or making an arrangement (regardless of whether or not the aforesaid agreement or arrangement is enforceable, or whether or not such obligations are assumed by the obligator individually or jointly with any other person), or changing its financial condition in any other way.

The acts listed below are not prohibited by the Articles of Association of the Bank, except those prohibited by relevant laws, regulations, rules and statutory documents:

- where the Bank provides the financial assistance truthfully for the interests of the Bank and the main purpose of the financial assistance is not to purchase shares of the Bank, or the financial assistance is an incidental part of an overall plan of the Bank;
- lawful distribution of the Bank's property in the form of dividends;
- distribution of dividends in the form of shares;
- reduction of registered capital, repurchase of shares, adjustment of shareholding structure, etc., in accordance with the Articles of Association of the Bank;
- provision of a loan by the Bank within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of the Bank or that if the same constitutes a reduction, the financial assistance is deducted from the Bank's distributable profits); and

- provision of money by the Bank for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Bank or that if the same constitutes a reduction, the financial assistance is deducted from the Bank's distributable profits).

(vi) ***Disclosure of interest in contracts with the Bank***

Where the Bank's directors or any of its associates (as defined in the Listing Rules), supervisors and senior management are directly or indirectly relevant to the agreements, transactions or arrangements (except employment agreements between the Bank and its directors, supervisors and senior management) signed or planned by the Bank, they shall notify the Board of the nature and degree of such a relationship, no matter whether such matter, in general, shall be approved by the Board.

Unless the interested directors, supervisors and senior management of the Bank have informed the Board of the matter as specified, and the Board has approved it at a meeting where they are not incorporated into the quorum and nor do they participate in the voting, the Bank shall have the right to cancel such agreements, transactions or arrangements, except where the counterparty is an innocent party who is not aware of the relevant directors, supervisors and senior management' violation of their obligations.

The Bank's directors, supervisors, president and other senior management shall be treated as interested parties where their related persons (as defined in Listing Rules) are interested in a certain contract, transaction or arrangement.

If, before the Bank first considers the entering into of the relevant contract, transaction or arrangement, a director, supervisor and senior management member of the Bank gives written notice to the Board, stating that by reasons of the facts contained in the notice, he/she will be interested in such contract, transaction or arrangement to be entered into by the Bank subsequently, such director, supervisor and senior management member shall be deemed to have made such disclosure as stipulated above to the extent as stated in the notice.

(vii) ***Appointment, removal and retirement***

Nomination and Election of Directors

The directors shall have a term of office of three years. All the directors may serve consecutive terms if reelected upon the expiration of his/her term of office. Candidates for directors shall be nominated by the nomination and remuneration committee of the Board, or by the shareholders who individually or in aggregate hold 3% or more of total issued shares of the Bank with voting rights, and shall be elected by the shareholders' general meeting. The qualification for serving as directors shall be submitted to and approved by the banking regulatory authorities.

The same shareholder and his/her/its connected person shall not nominate the candidates for director and supervisor concurrently. If such candidate for director (supervisor) as nominated by the same shareholder and his/her/its connected person has served as director (supervisor), such shareholder shall not nominate another candidate for supervisor (director) until the expiry of his/her term of office or the change of his/her position. In principle, the number of directors nominated by the same shareholder and his/her connected person shall not exceed one third of the total members of the Board, unless otherwise stipulated by the national laws. A shareholder who has already nominated candidate for director shall not renominate independent director.

Candidates for independent directors shall be nominated by the nomination and remuneration committee of the Board, and shareholders who individually or in aggregate hold 1% or more of total outstanding shares of the Bank with voting rights to the Board and shall be elected by the shareholders' general meeting. Service term of an independent director is the same as that of other directors of the Bank. Independent directors may serve consecutive terms if reelected upon the expiration of his/her term. The successive term of office of an independent director in the Bank shall not exceed six years.

Nomination and Election of Supervisors

Supervisors of the Bank include supervisors representing shareholders, external supervisors and supervisors representing employees. The proportion of the Bank's supervisors representing employees ("**Employee Supervisors**") and the external supervisors shall not be less than one third of the total number of supervisors, respectively.

Candidates for supervisors representing shareholders shall be nominated by the Board of Supervisors or the shareholders holding individually or in aggregate 3% or more of total outstanding shares of the Bank with voting rights, and shall be elected by the shareholders' general meeting.

Employee Supervisors shall be subject to the election, removal or change at the employee representative meeting or through any other democratic procedure.

The external supervisor of the Bank shall be nominated by the Board of Supervisors or the shareholders holding individually or in aggregate 1% or more of shares of the Bank with voting rights, and shall be elected by the shareholders' general meeting.

Removal and Resignation of Directors

Subject to compliance with relevant laws and administrative regulations, the shareholders' general meeting may dismiss any director during his/her service term through a general resolution (provided the director's claim that can be proposed in accordance with any contract will not be affected).

A director may resign prior to the expiry of his/her service term. When a director intends to resign, he/she shall submit a written resignation to the Board. The Board shall make relevant disclosure within 2 days upon receipt of such a resignation.

If failure to re-elect a candidate upon the expiry of a director's service term or the resignation of any director within his/her term of office has an impact on our normal operation or causes the number of members of the Board to fall below the minimum number of directors required by law, such director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations, departmental rules and the Bank's Articles of Association until a new director is elected and assumes his/her office. Save as stated above, the resignation of a director shall become effective when it is served to the Board.

There is no provision in the Articles of Association regarding retirement or non-retirement of directors under an age limit.

Removal and Resignation of Supervisors

A supervisor may offer to resign before the expiry of his/her term of office. The provisions concerning the resignation of directors shall apply to supervisors.

(viii) ***Borrowing powers***

The Articles of Association of the Bank do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board to formulate proposals for the issuance of corporate bonds or other marketable securities by the Bank and public listing; and

- provisions which provide that the issuance of corporate bonds and other marketable securities shall be approved by the shareholders' general meeting by a special resolution.

(ix) ***Proceedings of the Board***

Resolutions of Board meetings shall be passed by more than half of all directors and resolutions of Board meetings approving connected transactions shall be passed by more than half of the votes cast by all directors who have no material interest in such transactions.

A special resolution of Board meetings shall be passed by a two-thirds of all directors. For the following matters, a special resolution shall be passed by the Board:

- to formulate profit distribution plans and loss recovery plans of the Bank;

- to formulate proposals on the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Bank;

- to formulate proposals on major acquisitions by the Bank, acquisitions of the stock of the Bank or merger, division, dissolution and change of the corporate form;

- to decide on important matters such as material investment and disposal of assets;

- to appoint or dismiss the president or secretary to the Board of the Bank, according to the nomination of the chairman of the Board; appoint or dismiss senior management such as the vice-president, assistant president and financial chief, according to the nomination of the president;

- to decide on remuneration and disciplinary matters of senior management personnel;

- to formulate proposal on amendments to the Articles of Association of the Bank; and

- other material matters that require more than two thirds votes of all directors by virtue of laws, administrative regulations, and provisions of Departmental rules, normative documents of the relevant regulatory authorities and the Bank's Articles of Association.

(c) **Revision of the Bank's Articles of Association**

In any of the following circumstances, our Bank shall amend the Articles of Association:

- if upon amendments to the PRC Company Law, Commercial Banking Law or relevant laws and regulations, any terms contained in the Articles of Association become inconsistent with the provisions of the amended laws, regulations;

- a change in the Bank causes inconsistence with those contained in the Articles of Association; and

- a resolution being passed by the shareholders' general meeting to amend our Articles of Association.

For any amendments to our Articles of Association, the Board shall propose the plan on amendments, which are subject to approval by the shareholders' general meeting. The amendments to the Articles of Association passed by the shareholders' meeting shall be subject to the approval by the relevant regulatory authorities, if required; and where an amendment to the Articles of Association shall be subject to registration, the Bank shall register such amendment in accordance with relevant laws.

(d) **Variation of Rights of Existing Shares or Classes of Shares**

If the Bank intends to change or abrogate the rights of a class of shareholders, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate shareholders' meeting convened by the affected shareholders of that class in accordance with the Articles of Association.

In the following conditions, rights of a class of shareholders shall be deemed to have been changed or abrogated:

- an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- a change of all or part of the shares of such class into shares of another class, a conversion of all or part of the shares of another class into shares of such class or the grant of the right to such change;
- a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;
- a reduction or removal of a dividend preference or property distribution preference during liquidation of the Bank, attached to shares of such class;
- an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire securities of the Bank attached to shares of such class;
- a removal or reduction of rights to receive amounts payable by the Bank in a particular currency attached to shares of such class;
- a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;
- an issuance of rights to subscribe for, or convert into, shares of such type or other classes;
- an increase in the rights and privileges of shares of other classes;
- restructuring of the Bank causing shareholders of different classes to bear liability to different extents during the restructuring; and
- amendment or cancellation of provisions of the Articles of Association.

(e) **Alteration of capital**

Increase of Registered Capital

Upon the demands of operation and business development and in accordance with relevant laws and regulations, the Bank may, subject to resolutions of the shareholders' meeting and the approval of the relevant regulatory authorities, increase its capital in the following ways:

- offering new shares to non-specific investors;
- placing new shares to existing shareholders;
- granting new shares to existing shareholders;
- transferring capital reserve funds to increased capital; and
- other methods permitted by laws and regulations or by relevant competent authorities.

The Bank's increase of its capital by issuing new shares shall be conducted in accordance with the procedures provided in relevant laws and regulations after being approved according to the Articles of Association.

Reduction of Registered Capital

The Bank may reduce its registered capital. The reduction of the registered capital of the Bank shall be handled in accordance with the procedures stipulated by the PRC Company Law, the Commercial Banking Law and other relevant regulations and provisions of the Bank's Articles of Association.

The Bank must prepare a balance sheet and a list of properties when it is to reduce its registered capital.

The Bank shall notify its creditors within ten days of adopting the resolution to reduce its registered capital and shall publish an announcement of the resolution in the media designated by the Bank within 30 days. Creditors shall, within 30 days of receiving a written notice or within 45 days since the date of the announcement for those who have not received a written notice, be entitled to require the Bank to pay its debts or to provide a corresponding guarantee for repayment.

The registered capital of the Bank after reduction may not be less than the statutory minimum.

(f) **Special Resolution—Majority Required**

The resolutions of the shareholders' general meeting are divided into two types: (i) general resolutions, and (ii) special resolutions.

General resolutions made by shareholders' general meeting shall be adopted by more than half of the voting shares represented by the shareholders present at the meeting (including their proxies).

Special resolutions made by shareholders' general meeting shall be adopted by two-thirds or more of the voting shares represented by the shareholders present at the meeting (including their proxies).

The following items shall be adopted by shareholders' general meeting through general resolution:

- work reports of the Board and the Board of Supervisors;
- profit distribution plans and loss recovery plans proposed by the Board;
- appointment and dismissal of directors and supervisors and their remuneration and payment thereof;
- the annual budget and final accounts, the balance sheet, statements of profits and other financial statements of the Bank;
- the annual report of the Bank;
- to examine and approve the change of the purpose of the raised funds; and
- other matters than those stipulated by laws, regulations, rules or the Articles of Association, which require the adoption through a special resolution.

The following items shall be adopted by shareholders' general meeting through special resolution:

- increase or reduction of the Bank's share capital and issuance of stock, warrants of any type or any other similar securities;
- issuance of bonds or listing plan by the Bank;
- such matters as merger, division, dissolution, liquidation and change of corporate form of the Bank;
- revision of the Articles of Association;

- fix-asset investment, external guarantee and external investment which shall be reviewed and approved by the shareholders' meeting in accordance with laws, regulations, rules and requirements by securities regulatory authorities of the place where the shares of the Bank are listed, the Articles of Association and other internal rules of the Bank;

- stock incentive plans; and

- other matters stipulated by laws, regulations, rules, requirements by securities regulatory authorities of the place where the shares of the Bank are listed or the Articles of Association, and determined by the shareholders' general meeting by a general resolution that are significant to the Bank and shall be approved by special resolution.

(g) **Voting Rights (generally, on a poll and right to demand a poll)**

If the Bank intends to hold a shareholders' general meeting, distribute dividends, conduct liquidation and other activities where the shareholders' identities need to be confirmed, the Board or the person convening the general meeting shall decide the record date, and the shareholders recorded in the register of members after the market closes on the record date shall be the shareholders who are entitled to relevant rights and interests. Shareholders (including their proxies) shall exercise their voting rights according to the voting shares held by them, with each share representing one voting right.

Shares held by the Bank have no voting rights, and will not be counted toward the total voting shares present in the shareholders' general meeting.

Shareholders shall vote by show of hand at a general meeting of shareholders, unless relevant regulations of the securities regulatory authority of the locality where the shares of the Bank are listed require voting by poll, or the following persons require voting by poll before or after voting by show of hand:

- chairman of the meeting;

- at least two shareholders or two proxies of shareholders with voting rights;

- one or several shareholders (including their proxies) holding more than 10% of the voting shares at the meeting, individually or jointly.

Ballot voting requested for matters concerning the election of chairman of the meeting or termination of the meeting shall be conducted immediately; for other matters, the chairman of the meeting shall decide when to conduct ballot voting. The meeting can continue to discuss other matters, and the voting result there from will still be deemed as the resolution adopted in this meeting.

During ballot voting, shareholders (including their proxies) with two or more voting rights do not necessarily use them all for affirmative or negative votes.

(h) **Annual General Meetings**

There are two types of shareholders' general meeting: annual shareholders' general meeting and interim shareholders' general meeting. The shareholders' general meeting is generally convened by the Board.

The annual shareholders' general meeting shall be held once a year within six months after the end of the previous fiscal year. If the meeting has to be postponed due to special reasons, it shall be reported to the banking regulatory authorities in time with the reasons stated and make announcement thereof.

An interim shareholders' general meeting shall be convened within two months from the occurrence date of any of the following events:

- the number of directors is less than the quorum as specified by the PRC Company Law, or two- thirds of the number as stipulated by the Articles of Association;
- the outstanding balance of the Bank's loss reaches one-third of the Bank's total paid-up share capital;
- shareholders who individually or jointly hold more than 10% of the voting shares in the Bank submit a written request. The number of shares held shall be decided as of the date when the written request is submitted;
- the Board deems it as necessary;
- the Board of Supervisors proposes its opening; and
- other situations, as stipulated by laws, administrative regulations, departmental rules, regulatory authorities and the Articles of Association.

(i) **Accounts and Audit**

The Bank shall establish its financial and accounting systems according to provisions as stipulated by laws, regulations and regulatory authorities.

The Board shall at each annual shareholders' general meeting submit to the Shareholders the financial statements prepared by the Bank as required by the relevant laws, administrative regulations, departmental rules and statutory documents.

The Bank shall prepare its financial statement not only according to the Chinese accounting standards and regulations but also according to the international accounting standards or the accounting standards in the overseas-listing place. In case there are major differences between the financial statements prepared according to the two accounting standards, they should be indicated clearly in the notes of the financial statements. When distributing the after-tax profit for the related accounting year, the Bank shall adopt whichever is the lower of the after-tax profit in the aforesaid two financial statements. Where there are otherwise provisions by applicable laws, regulations and relevant listing rules, those provisions shall be observed.

Interim results or financial information published or disclosed by the Bank shall be prepared in accordance with the PRC accounting standards, laws and regulations as well as international standards or the accounting standards of the oversea place(s) where the shares of the Bank are listed.

The Bank shall publish its financial report twice in each fiscal year, i.e. publish the interim financial report within 60 days after the end of the first six months of a fiscal year, and publish the annual financial report within 120 days after the end of a fiscal year. Where there are otherwise provisions by the securities regulatory authority in the listing place where our shares are listed in relation thereto, those provisions shall be observed.

(j) **Notice of Meetings and Business to be Conducted**

When the Bank is to convene a shareholders' general meeting, written notice shall be given to all Shareholders 45 days prior to the meeting. Shareholders to be present in the shareholders' general meeting shall send a written reply of attendance to the Bank 20 days before the meeting is convened.

The Bank shall calculate the number of shares with voting rights based upon the written reply received 20 days prior to the shareholders' general meeting. Where the number of voting rights shares held by Shareholders who are going to attend the meeting reaches half or more of the total of shares with voting rights of the Bank, then the meeting can be held. Otherwise, the Bank shall inform the Shareholders again, in the form of an announcement about the matters to be discussed in the meeting, with the location and date of the meeting to be held within five days. The Bank may convene such a Shareholders' general meeting after such announcement has been made.

The meeting notice for the Shareholders' general meeting shall satisfy the following conditions:

- made in writing;
- specifying the date, location, and duration of the meeting;
- describing the matters and proposals to be considered at the meeting;
- providing the materials and explanations necessary for shareholders to make sensible decisions regarding the matters to be discussed, principally including (but not limited to) specific terms and agreements (if any) for a proposed transaction, and a detailed explanation of its reason and sequence where the Bank proposes a merger, repurchase of shares, restructuring of shares or other form of restructuring;

- where any directors, supervisors, president and other senior management have an important interest with regard to matters to be discussed, then the nature and extent of that interest shall be disclosed. Further, where the impact of the matters to be discussed by such directors, supervisors and senior management who are shareholders is different from the impact on other shareholders of the same class, then that difference shall be illustrated;

- containing the full text of any special resolution proposed to be passed at the meeting;

- providing a clear description stating that shareholders who are entitled to attend the shareholders' general meeting have the right to entrust at least one proxy, as necessary, who does not need to be a shareholder of the Bank, to attend the meeting and also to put forward a resolution;

- setting the deadline and place for the delivery of the proxy letter of the meeting;

- specifying Date of Record for the shareholders who are entitled to attend the shareholders' general meeting; and

- specifying the name and telephone number of the contact person for the meeting.

(k) **Transfer of Shares**

Unless otherwise specified by the relevant laws, administrative regulations, rules, the laws in the place(s) where the shares of the Bank are listed and relevant rules of the Hong Kong Stock Exchange, the shares of the Bank may be transferred legally without any lien attached. To transfer the shares of the Bank, the transferor shall register with the stock registration organization entrusted by the Bank.

All fully paid H shares may be freely transferred in accordance with the Articles of Association. However, the Board may refuse to recognize any transfer documents without stating any reason unless the conditions stipulated in the Articles of Association are met.

All transfers of H shares shall adopt written instruments of transfer in writing in an ordinary or usual form, or in any other form acceptable to the Board, or such standard transfer form prescribed by the stock exchange(s) where the shares of the Bank are listed. The instruments of transfer may be signed by hand. Where the transferor or transferee is a recognized clearing house (as defined in SFO) or its proxy, the instruments of transfer may be signed by hand or in a machine-imprinted format.

The transfer of our shares shall comply with relevant provisions as required by the banking regulatory authorities and other regulatory authorities.

The Bank shall not accept any pledge with its own shares as the subject matters.

(l) **Power of the Bank to Repurchase Its Own Shares**

The Bank may repurchase its issued shares in the following circumstances in accordance with the provisions of the Article of Associations and subject to the approval from the relevant regulatory authorities:

- reducing the registered capital of the Bank;
- merging with any other companies holding the shares of the Bank;
- giving the shares to employees of the Bank as a reward;
- being requested to repurchase the shares of the Bank by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning merger and division of the Bank; and
- other circumstances permitted by laws, administrative regulations and relevant regulatory authorities.

Where the Bank repurchases its shares under circumstances (1) to (3), it shall obtain approval from shareholders' general meeting. Where the Bank repurchases its shares under circumstance (1), it shall cancel the shares within 10 days from the date of repurchase. Where the Bank repurchases its shares under circumstances (2) and (4), the Bank shall transfer or cancel the shares within 6 months.

The shares repurchased by the Bank under circumstance (3) shall not exceed 5% of the total issued shares of the Bank. The funds for repurchase shall be paid from the after-tax profits of the Bank. The shares redeemed shall be transferred to the employees within one year.

The Bank may repurchase its shares in any of the following ways after being approved by relevant regulatory authorities:

- making a repurchase offer pro rata to all shareholders;
- repurchasing by means of open transaction at a stock exchange;
- repurchasing by means of contractual agreement outside a stock exchange; and
- other methods as permitted by laws, administrative regulations and relevant regulatory authorities.

(m) **Power of Any of the Subsidiary Banks (subsidiary companies) to Own our Shares**

There are no provisions in the Articles of Association restricting ownership of shares in our Bank by any of our subsidiary banks (subsidiary companies).

(n) **Dividends and Other Methods of Distributions**

The Bank may distribute dividends in the form of cash or shares.

The Bank's current year profits shall be distributed in the following order of priority:

- offsetting the losses in previous years;
- contributing 10% of them to its statutory reserve fund;
- making general reserve;
- contributing to its discretionary reserve fund; and
- distributing profits and paying dividends to its shareholders at the proportion of the shares held by a shareholder.

In the event that the accumulated statutory reserve exceeds 50 percent of the Bank's registered capital, no further allocation is needed. The shareholders' general meeting shall decide whether any further allocation to the discretionary reserve shall be made after making allocations to the statutory reserve and the general reserve. The Bank shall not distribute dividends to shareholders before making up losses, making allocations to the statutory reserve and the general reserve. Any dividend distributed to shareholders by the shareholders' general meeting in contravention of the requirements provided above shall be refunded to the Bank by the shareholders. Shares of the Bank held itself shall not participate in any distribution of profits. Shareholders shall not be entitled to dividends in case that the capital adequacy ratio of the Bank fails to meet the requirements as stipulated by law.

The Bank shall appoint receiving agents on behalf of the shareholders of overseas-listed shares. Receiving agents shall receive on behalf of the relevant shareholders dividends distributed and other monies payable by the Bank in respect of the overseas-listed shares. The receiving agents appointed by the Bank shall comply with the laws and the requirements of the regulations of the securities regulatory authorities where the shares of the Bank are listed. The receiving agents appointed by the Bank on behalf of H shareholders shall be a trust company registered in accordance with the Trustee Ordinance of Hong Kong.

Subject to compliance with the relevant laws, administrative regulations and departmental rules of the PRC, the Bank may exercise right to forfeit unclaimed dividends, provided that such right shall be exercisable only after the applicable limitation period expires.

(o) **Proxies**

Any shareholders entitled to attend and vote at a shareholders' meeting shall have the right to appoint one or more persons (who need not be shareholders) as his/her proxies to attend and vote on his/her behalf.

Shareholders shall entrust the proxy in writing, and the proxy shall be signed by the shareholders or agents authorized by the shareholders in writing. If a shareholder is a legal person, the instrument shall be sealed with the legal person's stamp or signed by its directors or agents authorized in writing.

The proxy form shall specify, in the absence of specific instructions from the shareholder, whether the proxy may vote at his/her own discretion. If there is no such specification in the proxy form, the proxy is deemed to be entitled to vote at his/her own discretion for any resolution lack of specific instruction from the shareholder, and the shareholder shall assume responsibility for such vote.

Where a shareholder has died, lost capacity for acts, revoked the proxy or the signed authorization prior to the voting, or the relevant shares have been transferred, a vote given in accordance with the terms of proxy letter shall remain valid as long as our Bank does not receive a written notice of the event before the commencement of the relevant meeting.

(p) **Calls on Shares and Forfeiture of Shares**

For dividends that are not claimed by anyone, the Bank may exercise the right of expropriation under the precondition of complying with the relevant laws, administrative regulations and departmental rules, but the right shall be exercised only after the expiration of the applicable period.

The Bank shall have the right to terminate sending dividend warrants to holders of overseas-listed shares by mail, but the Bank shall exercise the right only after a dividend warrant fails to be redeemed for two consecutive occasions, however, the Bank can exercise the right after the first occasion on which such a dividend warrant is returned as undelivered.

The Bank shall have the right to sell the shares of shareholders of overseas-listed shares who are untraceable in a way deemed appropriate by the Board, provided the following conditions are met:

- the Bank has distributed dividends at least three times to the shares within 12 years, and the dividends are not claimed by anyone during the period; and
- the Bank publishes announcements in one or more newspapers where the Bank's shares are listed after the expiration of the 12-year period, stating its intention to sell the shares, and informs the securities regulatory authorities where the Bank's shares are listed.

(q) **Inspection of Register of Members**

Our shareholders are entitled to inspect all parts of the register of members and make photocopies upon payment of a reasonable cost according to the Articles of Association of the Bank.

(r) **Quorum for Meetings and Separate Class Meetings**

The Bank shall calculate the number of shares with voting rights represented by the shareholders who are going to attend the shareholders' general meeting based upon the written reply received 20 days prior to the shareholders' general meeting. Where the number of voting rights shares held by shareholders who are going to attend the meeting reaches half or more of the total of shares with voting rights of the Bank, then the meeting can be held. Otherwise, the Bank shall inform the shareholders again, in the form of an announcement about the matters to be reviewed in the meeting, with the date and place of the meeting to be held within five days. The Bank may convene such shareholders' general meeting after such announcement has been made.

When the voting shares represented by the shareholders to be present in the meeting reach half or more of the total voting shares of that class in the meeting, the Bank can convene class shareholders' general meeting; otherwise, the Bank shall, within five days, inform the shareholders again of the matters to be reviewed in the meeting, the meeting date and place through public announcement, after which it can convene class shareholders' general meeting.

(s) **Rights of Minorities in Relation to Fraud or Oppression**

A controlling shareholder and the actual controller of the Bank have a duty of fidelity to the Bank and other public shareholders. The controlling shareholder shall exercise the rights of contributors in strict compliance with the laws, and it shall not jeopardize legitimate rights and interests of the Bank and other public shareholders by profit distribution, assets reorganization, external investments, capital occupation or loan guarantee or by taking advantage of its controlling status.

In addition to the obligations imposed by the laws and administrative regulations or the relevant regulations required by securities regulatory authorities where the shares of the Bank are listed, our controlling shareholder, in exercising the power as a shareholder, shall not exercise his voting rights in a manner prejudicial to the interests of all or part of the shareholders when making decision on the following matters:

- exempting the responsibility of the directors and the supervisors to act in good faith for the maximum benefit of the Bank;

- approving the directors and the supervisors to deprive the property of the Bank (including but not limited to the opportunities that are favorable to the Bank) in any form for their own benefit or for the benefit of others; and

- approving the directors and the supervisors to deprive the individual rights and interests of other shareholders (including but not limited to any distribution rights, voting rights, but excluding the reorganization of the Bank which is submitted to the shareholders' general meeting for approval in accordance with the Articles of Association) for their own benefit or for the benefit of others.

The term "controlling shareholder(s)" herein shall refer to the person(s) satisfying any of the following conditions:

- acting alone or in concert with others, has the right to elect half or more of the directors;
- acting alone or in concert with others, has the right to exercise or control the exercise of 30% or more of the voting rights of the Bank;
- acting alone or in concert with others, holds 30% or more of the issued shares of the Bank; and
- acting alone or in concert with others, can de facto control the Bank in any other manners.

(t) **Limitation to the rights of the shareholders under certain circumstances**

The major shareholders shall make a true, accurate and complete disclosure of the particulars of the related parties to the Board, and undertake to promptly report to the Board of the Bank in case of any changes of their relationship.

Any shareholder shall be in strict compliance with the laws and regulations, and the requirements of the regulatory authorities if any shares of the Bank are to be pledged for the benefits of his/her own or others. Also, such shareholder must serve a prior notice to the Board.

If the balance of loans from the Bank by a shareholder exceeds the audited net value of equity held by him for the previous year, he/she/it shall not create further pledge over his/her/its shares in the Bank.

When the amount of equity interest in the Bank pledged by a shareholder reaches or exceeds 50% of the equity interest held by him/her/it in the Bank, the voting right of such shareholder at the general meeting and the voting right of his/her/its nominated director at the Board meeting shall be restricted.

The shareholders, especially the major shareholders, shall support the reasonable capital planning formulated by the Board of the Bank so that our capital will continue to meet the regulatory requirements. When our capital fails to comply with the regulatory requirements, a capital replenishment plan shall be made to enable the capital adequacy ratio to satisfy the regulatory requirements within the time framework, and other measures to replenish capital such as increase of core capital shall be taken. The major shareholders shall not hinder other shareholders from replenishing the capital of the Bank or new eligible shareholders from participating.

The major shareholders shall make a long-term capital replenishment commitment to the Bank in writing as a part of capital planning of the Bank.

The term "major shareholders" herein shall refer to the shareholder that holds (directly, indirectly or jointly) or controls 5% of the shares or voting rights and has significant influence on the decision-making of the Bank.

(u) **Procedure on liquidation**

The Bank shall be dissolved according to laws, if:

- the business license of the Bank has expired;
- its shareholders' meeting has resolved to do so;
- it is dissolved as a result of the merger or division of the Bank;
- the Bank's business license is suspended, or it is ordered to be terminated or revoked according to laws;
- in case the Bank encounters significant difficulties in its operation and management, under the circumstance of which continuing existence will cause material harm to shareholders' interests, and the problems could not be solved by other means, the shareholders holding 10% or more of the voting right may request the People's Court to dissolve the Bank;
- the Bank is announced bankrupt according to the laws due to overdue debts; or
- the Bank is ordered to be close down for violation of laws and administrative regulations in accordance with the laws.

The dissolution of the Bank shall be approved by the banking regulatory authority under the State Council of the PRC.

If the Board decides the Bank shall carry out liquidation (except for liquidation resulting from the Bank's declaration of bankruptcy), it shall state in the notice of the shareholders' general meeting convened for this purpose that the Board has conducted comprehensive investigation of the Bank's condition and believes that the Bank is able to pay off all its debts within 12 months after starting the liquidation.

The powers and functions of the Board shall terminate immediately upon the resolution on liquidation passed by shareholders' general meeting.

The liquidation committee shall follow the directions of the shareholders' general meeting to report on its income and expenditures, the Bank's business and progress of liquidation at least once a year to the shareholders' general meeting and make a final report to shareholders' general meeting at the end of liquidation.

The liquidation committee shall give notice of its establishment to the creditors within 10 days of its establishment and publish an announcement of the establishment on the newspaper(s) recognized by the stock exchange(s) where the shares of the Bank are listed within 60 days of its establishment.

The creditors shall declare their claims to the liquidation committee within 30 days of the date of receiving the notice or within 45 days of the date of the announcement in the case of not receiving the notice.

The creditors shall explain the matters related to their claims and provide supporting materials when declaring their claims. The liquidation committee shall register the claims.

The liquidation committee shall not settle any debt with the creditors during the period of claim declaration.

(v) **Other Provisions Material to Our Shareholders**

Functions and Authority of the Shareholders' Meeting

The shareholders' meeting is the authorized entity to exercise the functions and authorities as follows:

- to decide on business policies and investment plans;
- to elect and replace directors and to decide on their remuneration;
- to elect and replace supervisors who are not employee representatives and to decide on their remuneration;
- to review and approve reports of the Board;
- to review and approve reports of the Board of Supervisors;
- to review and approve proposed annual financial budgets and final accounts;
- to review and approve profit distribution and loss appropriation plan;
- to make resolutions on increase or reduction of registered capital;
- to make resolutions on issuance of bonds;
- to make resolutions on merger, division, dissolution, liquidation or change of the legal form of the Bank;
- to revise our Articles of Association;
- to decide on engagement, dismissal or discontinuance of engagement of accounting firm;

- to review and approve fix-asset investment, external guarantee , external investment and related/connected transactions which shall be reviewed and approved by the shareholders' meeting in accordance with relevant laws, regulations, rules and requirements by securities regulatory authorities of the place where the shares of the Bank are listed, the Articles of Association and other internal rules of the Bank;

- to review and approve provisional proposals submitted by shareholders who individually or in aggregate hold more than 3% of the voting shares of the Bank;

- to review and approve the change of use of proceeds;

- to review and approve stock incentive plan; and

- to review and approve other matters which shall be determined by the shareholders' general meeting in accordance with laws, administrative regulations, departmental rules and requirements by securities regulatory authorities of the place(s) where the shares of the Bank are listed, the Articles of Association and other internal rules of the Bank.

Loans to Shareholders

The conditions of facility that the Bank offers to the shareholders shall not be more favorable than those offered to other customers of the same type of facility.

Where the Shareholders owe overdue facility to the Bank, the Bank shall restrict his/her/its rights to vote at the shareholders' general meeting and the rights of the directors delegated by such shareholders to vote at the Board of Meeting in accordance with the requirements of relevant regulatory authorities.

Directors' Qualification Shares

A director is a natural person, who does not necessarily hold the shares of the Bank.

Board Committees

The Board shall establish special committees, including Development Strategy Committee, Nomination and Remuneration Committee, Risk Management Committee, Related Party Transaction Control Committee and Audit Committee. Each special committee shall be responsible to the Board.

Each special committee shall be composed of no less than three members. In which, Related Party Transaction Control Committee, Audit Committee and Nomination and Remuneration Committee shall be chaired by an independent director as person in charge. Directors nominated by the controlling shareholder shall not be a member of Related Party Transaction Control Committee and Nomination and Remuneration Committee.

Secretary to the Board

There shall be a secretary to the Board. The main duties and responsibilities of the secretary to the Board shall include:

- to ensure that the Bank has complete organizational documents and records;
- to ensure that the Bank prepares and submits reports and documents required by competent agencies in accordance with relevant laws;
- to ensure that the register of the shareholders of the Bank is properly set up, and that people entitled to obtain the Bank's relevant records and documents, can receive such records and documents in a timely manner;
- to be responsible for the announcement of information on the Bank, to prepare and submit relevant report and documents of the Board and the shareholders 'general meeting requested by the relevant authorities;
- to organize and prepare Board meetings and shareholders' general meetings; to keep meeting documents and minutes;
- to prepare the documents for the Board and the relevant rules;
- to be responsible for the information disclosure of the Bank, take effective measures for ensuring timely, accurate, lawful, truly and complete disclosure of the Bank's information;
- to assist the Board in relation to the enhancement of the corporate governance of the Bank;
- to manage relationships between the Bank and investors; to upgrade the system for communicating, receiving and serving investors;
- to be responsible for the equity management of the Bank, including to keep shareholding information of the Bank and to procure the directors, supervisors and senior management and other personnel of the Bank to comply with the relevant requirements in relation to dealings in the shares of the Bank;
- to assist the Board in formulating development strategies of the Bank in the capital markets and to assist in planning and executing refinancing, merger, acquisition and reorganization;
- to be responsible for training matters, to organize directors, supervisors and senior management and other personnel to participate in the relevant training on laws, regulations and other regulatory documents;

- to remind our directors, supervisors and senior management to perform their duties of loyalty and diligence. If becoming aware that our directors, supervisors and senior management has violated any laws, regulations, other regulatory documents and the Articles of Association, or that they has made or may make any decision which violates the same, the secretary to the Board shall provide a warning and immediately report to the securities exchange;

- other matters as authorized by the Board; and

- other duties as required by the PRC Company Law, the securities regulatory authority and the banking regulatory authority under the State Council of the PRC and the stock exchange(s) where the shares of the Bank are listed.

Board of Supervisors

The Bank has established the Board of Supervisors. The Board of Supervisors shall exercise by laws the following functions and duties:

- to review the regular reports prepared by the Bank and to provide comments on the reports as to its truthfulness, accuracy and completeness in writing;

- to examine and supervise our financial activities;

- to supervise and assess the behaviors of the directors and senior management members in performing their duties, report the basis and results of the above assessments to the banking regulatory authority under the State Council of the PRC within four months from the year end date and report relevant assessment results to the shareholders' general meeting; the above assessment shall be conducted at least once each year; to advise on dismissal of any directors and senior management members who are in breach of laws, administrative regulations, the Articles or resolutions of the shareholders' general meetings;

- to demand the directors and senior management members to rectify their errors if they have acted in a harmful manner to the Bank's interest;

- to make self-assessment on its work performance each year, assess the performance of duties by its supervisors, report the basis and results of the above assessments to the banking regulatory authority under the State Council of the PRC within four months from the year end date, and report relevant assessment results to the shareholders' general meeting;

- to propose the convening of extraordinary shareholders' general meetings, and to convene and chair the shareholders' general meetings if our Board fails to do so in accordance with requirements of the PRC Company Law;

- to present proposals to the shareholders' general meetings;

- to attend meetings of the Board and Board Committees, and, if necessary, to attend meetings of senior management and raise inquiries or suggestions on the proposals;

- to carry out an audit to any resigning senior management;

- to inquire into the directors, the Board and senior management;

- to review and approve the profit distribution proposal, and to comment in writing on the compliance and reasonableness of such proposal;

- to supervise the compliance in relation to the engagement, dismissal or renewal of engagement of accounting firms, the fairness of engagement terms and payment as well as the independency and effectiveness of the external audit;

- to supervise the financial activities, business decisions, risk management and internal control of the Bank;

- to take legal actions against directors and senior management members in accordance with Article 152 of the PRC Company Law;

- to investigate if in doubt or discovering any irregularities in the operations of the Bank, and (if necessary) may engage accounting firms, law firms or other professional firms to assist its work; and

- other functions and powers as prescribed in the Articles of Association and authorized by the shareholders' general meetings.

The supervisors may present at meetings of the Board, Board Committees and senior management, and shall have the rights to raise questions or suggestions to resolutions except the voting right. The supervisors present at the meeting shall make corresponding report to the Board of Supervisors.

President

The president shall be responsible to the Board and mainly exercise the following functions and duties:

- in charge of daily operation and management of the Bank, organizing the implementation of the resolutions of the Board and to report his/her work to the Board;

- to arrange the implementation of the annual operation plans and investment proposals approved by the Board;

- to draft plans for the establishment, dissolution or merger of our internal management structure and branches;

- to formulate the basic management system and specific rules and procedures;

- to propose to the Board the appointment or dismissal of other senior management except for those shall be proposed by the Chairman of the Board and be appointed or dismissed by the Board;

- to appoint or dismiss management staffs except for those shall be proposed by the Chairman of the Board and be appointed or dismissed by the Board;

- to authorize senior management persons in charge of internal functional departments and branches to engage in operating activities;

- to decide on the remuneration, welfares and disciplinary measures of our employees;

- to decide on the appointment and dismissal of employees; and

- other functions and powers as prescribed in the Articles of Association and authorized by the Board and the Chairman of the Board.

The president who is not a director shall be present at Board meetings, but have no voting rights at such Board meetings.

Dispute Resolutions

The Bank shall comply with the following rules of dispute resolution:

- Whenever any disputes or claims relating to the affairs of the Bank arise from the rights and obligations provided for in the Articles of Association of the Bank, the PRC Company Law and other relevant laws and administrative regulations, between the shareholders of overseas-listed foreign shares and the Bank, between the shareholders of overseas-listed foreign shares and the directors, supervisors, president and other senior managers of the Bank, between the shareholders of overseas-listed foreign shares and shareholders of domestic shares, the parties involved shall refer such disputes or claims to arbitration.

- The disputes or claims mentioned above which are referred to arbitration shall be the entire dispute and claim; all persons having a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of the disputes or claims, if they are, shareholders of the Bank, directors, supervisors, president or other senior managers of the Bank, shall abide by such arbitration.

- Disputes over the definition of a shareholder and over the register of shareholders need not be resolved through arbitration.

- The party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission according to its arbitration rules or by the Hong Kong International Arbitration Centre according to its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party shall submit to the arbitral body selected by the party seeking arbitration.

- If the party seeking arbitration elects to arbitrate at the Hong Kong International Arbitration Centre, either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

- The laws of the PRC shall govern the arbitration of disputes or claims described in above unless otherwise provided by the laws and administrative regulations.

The ruling of the arbitral body shall be final and binding on the parties thereto.

1. FURTHER INFORMATION ABOUT OUR BANK

A. Incorporation

Our Bank was incorporated in the PRC as a joint stock limited company under the name of "Jinzhou City Cooperative Bank Co., Ltd.* (錦州城市合作銀行股份有限公司)" on January 22, 1997. On June 3, 2008, with the approval of the CBRC, the name of our Bank was further changed to Bank of Jinzhou Co., Ltd. Our registered address is at No. 68, Keji Road, Jinzhou City, Liaoning Province, China. Our Bank has established a principal place of business in Hong Kong at 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. LEUNG Wing Han Sharon of 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, has been appointed as our agent for the acceptance of service of process and notices on behalf of our Bank in Hong Kong.

We conduct our banking business in the PRC under the supervision and regulation of the CBRC and the PBOC. We are not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV to this prospectus. A summary of the relevant provisions of our Articles of Association is set out in Appendix VI to this prospectus.

B. Our Top 10 Shareholders

(a) Shareholding and percentage of our top 10 shareholders

As of the Latest Practicable Date, the numbers and percentage of shares held by our top 10 shareholders are as follows:

No.	Name of shareholder	Class	Numbers of Shares held	Shareholding percentage (%)
1	Yinchuan Baota Refined Chemical Industry Co., Ltd.* (銀川寶塔精細化工有限公司, "**Yinchuan Baota**")	Domestic Shares	250,000,000	5.68
2	Jincheng International Logistics Group Co., Ltd.* (錦程國際物流集團股份有限公司, "**Jincheng International**")	Domestic Shares	213,507,565	4.85
3	Jinzhou Finance Bureau* (錦州市財政局)	Domestic Shares	187,858,021	4.27
4	Liaoning Tenghua Plastic Co., Ltd.* (遼寧騰華塑料有限公司, "**Tenghua Plastic**")	Domestic Shares	180,000,000	4.09

No.	Name of shareholder	Class	Numbers of Shares held	Shareholding percentage (%)
4	Qingzhou Taihe Mines Co., Ltd.* (青州泰和礦業有限公司)	Domestic Shares	180,000,000	4.09
6	Liaoning Chengwei Plastic Profile Co., Ltd.* (遼寧程威塑料型材有限公司, "**Chengwei Plastic**")	Domestic Shares	170,000,000	3.86
7	Rongcheng Huatai Motor Co., Ltd.* (榮成華泰汽車有限公司, "**Rongcheng Huatai**")	Domestic Shares	150,000,000	3.41
7	Shanghai Greenland Hongtu Investment and Development Co., Ltd.* (上海綠地弘途投資發展有限公司)	Domestic Shares	150,000,000	3.41
9	Beijing Urban Construction Investment and Development Co., Ltd.* (北京城建投資發展股份有限公司)	Domestic Shares	130,000,000	2.95
10	Jinzhou Daxing Construction Group Co., Ltd.* (錦州大興建設集團有限公司, formerly known as Jinzhou Daxing Real Estate Development Co., Ltd. (錦州大興房地產開發有限公司))	Domestic Shares	110,000,000	2.50
Total			**1,721,365,586**	**39.11**

(b) Changes in shareholdings of top 10 shareholders during the Track Record Period

During the Track Record Period and up to the Latest Practicable Date, our Bank did not have any controlling shareholder or major shareholder. The direct and indirect shareholding of the single shareholder of our Bank has never exceeded approximately 8.04% during the Track Record Period and up to the Latest Practicable Date. The top 10 shareholders of our Bank were all corporate shareholders during the Track Record Period and up to the Latest Practicable Date, and currently held approximately 39.11% in our Bank's share capital in aggregate. As of the Latest Practicable Date, the shareholding of the top 10 shareholders of our Bank ranges from around approximately 5.68% (single largest shareholder) to around approximately 2.50% (10th largest shareholder). The changes in shareholdings of top 10 shareholders throughout the Track Record Period are as follows:

(1) Transfer of shares from Jinzhou Finance Bureau to Jinzhou Watson Asset Management (Group) Co., Ltd. (錦州華信資產經營（集團）有限公司) ("**Watson Asset**")*

On March 27, 2014, with the approval from the People's Government of Jinzhou City, Liaoning Province Finance Department and Jinzhou CBRC, Jinzhou Finance Bureau transferred 50,000,000 shares to Watson Asset at nil consideration by way of free allocation (無償劃撥) and such transfer was completed on March 27, 2014.

Immediately after completion of above transfer, the shareholding percentage of shares held by Jinzhou Finance Bureau in our Bank decreased from approximately 6.10% to approximately 4.81%, and Jinzhou Finance Bureau became the second largest shareholder of our Bank from our former largest shareholder. As of the Latest Practicable Date, Jinzhou Finance Bureau held approximately 4.27% of our share capital and was our third largest shareholder.

(2) Transfer of shares from Xuefeng Group Co., Ltd. (雪峰集團有限公司) ("***Xuefeng Group***") to Shenyang Guanyi*

On April 4, 2014, Xuefeng Group, our then 19th largest shareholder, transferred 60,000,000 shares to Shenyang Guanyi, at a consideration of RMB180 million, which was determined after arm's length negotiations. Such consideration was settled by Shenyang Guanyi on April 28, 2014.

Immediately after completion of above transfer, Xuefeng Group ceased to hold any shares in our Bank. After such shares were transferred to Shenyang Guanyi, its shareholding in our Bank increased from approximately 4.87% to approximately 6.41%, and it became our then largest shareholder. As of the Latest Practicable Date, Shenyang Guanyi did not hold any shares of our Bank.

(3) Subscription of new shares by Yinchuan Baota, Rongcheng Huatai, Tenghua Plastic and Chengwei Plastic

On November 7, 2014, Yinchuan Baota subscribed for 200,000,000 shares in our Bank, which represented approximately 4.54% of our share capital, at a consideration of RMB700 million, which was determined after arm's length negotiations. Such consideration was settled by Yinchuan Baota on November 7, 2014.

On November 7, 2014, Rongcheng Huatai subscribed for 150,000,000 shares in our Bank, which represented approximately 3.41% of our share capital, at a consideration of RMB525 million, which was determined after arm's length negotiations. Such consideration was settled by Rongcheng Huatai on November 7, 2014.

On October 24, 2014, Tenghua Plastic subscribed for 80,000,000 shares in our Bank, which represented approximately 1.82% of our share capital, at a consideration of RMB280 million, which was determined after arm's length negotiations. Such consideration was settled by Tenghua Plastic on October 20, 2014.

On October 24, 2014 and November 5, 2014, Chengwei Plastic subscribed for 20,000,000 shares and 50,000,000 Shares in our Bank, respectively, which represented approximately 1.59% in aggregate of our share capital, at an aggregate consideration of RMB245 million, which was determined after arm's length negotiations. Such consideration was settled by Chengwei Plastic on November 5, 2014.

Immediately after the above subscriptions, Yinchuan Baota, Rongcheng Huatai, Tenghua Plastic and Chengwei Plastic became our second, fifth, 16th and 18th largest shareholders at that time, respectively. As of the Latest Practicable Date, Yinchuan Baota, Rongcheng Huatai, Tenghua Plastic and Chengwei Plastic held approximately 5.68%, 3.41%, 4.09% and 3.86% of our share capital, respectively, and were our largest, seventh, fourth and sixth largest shareholders, respectively.

(4) Transfer of shares from Shenzhen Dajinshu Investment Co., Ltd. (深圳大金樹投資有限公司) ("**Shenzhen Dajinshu**") to Jincheng International*

On December 17, 2014, Shenzhen Dajinshu transferred 45,000,000 shares to Jincheng International, at a consideration of approximately RMB110.25 million, which was determined after arm's length negotiations. Such consideration was settled by Jincheng International on November 25, 2014.

Immediately after completion of above transfer, Shenzhen Dajinshu ceased to hold any shares in our Bank. Jincheng International's shareholding in our Bank increased from approximately 2.39% to approximately 3.41%, and Jincheng International became our then fifth largest shareholder. As of the Latest Practicable Date, Jincheng International held approximately 4.85% of our share capital and was our second largest shareholder.

(5) Transfer of shares from Shenyang Guanyi to Yinchuan Baota, Tenghua Plastic and Chengwei Plastic

On February 12, 2015, Shenyang Guanyi transferred 50,000,000 shares in our Bank to Yinchuan Baota, at a consideration of RMB175 million, which was determined after arm's length negotiations. Such consideration was settled by Yinchuan Baota on February 5, 2015.

On February 2, 2015, Shenyang Guanyi transferred 100,000,000 shares in our Bank to Tenghua Plastic, at a consideration of RMB350 million, which was determined after arm's length negotiations. Such consideration was settled by Tenghua Plastic on January 28, 2015.

On February 2, 2015, Shenyang Guanyi transferred 100,000,000 shares in our Bank to Chengwei Plastic, at a consideration of RMB350 million, which was determined after arm's length negotiations. Such consideration was settled by Chengwei Plastic on January 28, 2015.

Immediately after completion of above transfers, Shenyang Guanyi ceased to hold any shares in our Bank and the shareholding of Yinchuan Baota, Tenghua Plastic and Chengwei Plastic in our Bank increased from approximately 4.54%, 1.82% and 1.59% to approximately 5.68%, 4.09% and 3.86%, respectively. Yinchuan Baota, Tenghua Plastic and Chengwei Plastic became our then largest, fourth largest and sixth largest shareholder, respectively. As of the Latest Practicable Date, Yinchuan Baota, Tenghua Plastic and Chengwei Plastic held approximately 5.68%, 4.09% and 3.86% of our share capital, respectively, and was our largest, fourth largest and sixth largest shareholder, respectively.

(6) Transfer of shares from Jinzhou Jinhe Investment Management Co., Ltd. (錦州金禾投資管理有限公司) ("**Jinhe Investment**") to Jincheng International*

On February 2, 2015, Jinhe Investment, our then 20th largest shareholder, transferred 63,507,565 shares to Jincheng International, at a consideration of approximately RMB222.28 million, which was determined after arm's length negotiations. Such consideration was settled by Jincheng International on March 2, 2015.

Immediately after completion of such transfer, Jinhe Investment ceased to hold any shares and the shareholding of Jincheng International in our Bank increased from approximately 3.41% to approximately 4.85%. Jincheng International became our then second shareholder from originally our fifth largest shareholder. As of the Latest Practicable Date, Jincheng International held 4.85% of our share capital and was our second largest shareholder.

Immediately before Shenyang Guanyi and Jinhe Investment transferred the shares they held in our Bank to other four existing shareholders of our Bank (please refer to the above sub-paragraphs (5) and (6) in this paragraph for details (the "**Transfers**")), Shenyang Guanyi was a wholly-owned subsidiary of Jinhe Investment. As such, Jinhe Investment directly and indirectly held an aggregate of 7.12% equity interests in our Bank, and was our then largest shareholder. Considering that there was a discrepancy of information between the records of Shenyang Guanyi maintained at the competent local SAIC and the documents provided by Shenyang Guanyi for filing with the relevant authorities upon its investment in our Bank in 2009 and its acquisition of shares of our Bank from Xuefeng Group in 2014, Shenyang Guanyi and Jinhe Investment decided to dispose all of their interest in our Bank.

Based on the interview conducted with the relevant competent authorities, Zhong Lun Law Firm, our PRC legal advisor, is of the view that such discrepancies appeared in the documents provided by Shenyang Guanyi would not affect the legality and validity of our capital increase at the relevant time in 2009 and it would not affect the legality and validity of the share transfer from Shenyang Guanyi to Jinzhou Finance Bureau in 2010 or the acquisition of shares in our Bank by Shenyang Guanyi from Xuefeng Group in 2014. In addition, the Transfers have been approved by the competent PRC banking regulatory authority and are valid and legally binding.

No special right that does not extend to all shareholders of our Bank, was offered to the subscribers or transferees of the above share subscriptions or share transfers.

The Sole Sponsor has reviewed subscription information and documents related to the aforementioned shareholders in relation to capital increase, and information and documents related to the aforementioned share transfers between our shareholders and are of the view that such share subscriptions and share transfers are conducted in compliance with Interim Guidance on Pre-IPO Investments (HKEX-GL29-12) issued by the Hong Kong Stock Exchange in October 2010 and January 2012, and Guidance on Pre-IPO investments (HKEX-GL43-12) issued by the Hong Kong Stock Exchange in October 2012 and updated in July 2013.

C. **Changes in Share Capital**

At the time of our establishment as a joint stock limited company, our share capital was RMB114,614,300, divided into 114,614,300 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up.

On November 21, 2014, our share capital was increased by RMB500 million to approximately RMB4,402.23 million.

Immediately after the completion of Global Offering, assuming that the Over-allotment Option is not exercised, our total issued share capital will be RMB5,602,233,866, made up of 4,282,233,866 Domestic Shares and 1,320,000,000 H Shares fully paid up or credited as fully paid up, representing approximately 76.44% and 23.56% of our total issued share capital, respectively. Assuming the Over-allotment Option is exercised in full, our total issued share capital will increase to RMB 5,782,233,866, being made up of 4,264,233,866 Domestic Shares and 1,518,000,000 H Shares fully paid or credited as fully paid, representing approximately 73.74% and 26.26% of our total issued share capital, respectively.

Save as disclosed above, there has been no alteration in our share capital within the two years preceding the date of this prospectus.

D. **Restrictions on Share Repurchase**

For details of the restrictions on share repurchase by our Bank, see the paragraph headed "Power of the Bank to Repurchase Its Own Shares" in "Appendix VI — Summary of Articles of Association" in this prospectus.

E. **Relevant Resolutions Passed at Extraordinary General Meeting**

Shareholders of our Bank convened an extraordinary general meeting on October 14, 2014 at which the following resolutions and issues, among others, were approved by our shareholders:

(a) the initial offering size of our Bank is less than 1,200,000,000 H shares, and the Over-allotment Option in respect of no more than 180,000,000 H shares is granted to the Joint Bookrunners or the Joint Global Coordinators for the purpose of this issuance for listing, representing an aggregated offering size of no more than 1,380,000,000 H shares;

(b) H Shares will be listed on the Hong Kong Stock Exchange;

(c) our Bank will be converted into an overseas subscription joint stock company;

(d) the Articles of Association of our Bank will be effective from the Listing Date; and

(e) our Board are authorized to handle at its full discretion all matters relating to the listing of our H Shares.

2. OUR SUBSIDIARIES, SHAREHOLDERS OF OUR SUBSIDIARIES AND CHANGES IN THE SHARE CAPITAL OF OUR SUBSIDIARIES

A. Our Subsidiaries

Our subsidiaries are referred to in the Accountants' Report, the full text of which is set out in Appendix I to this prospectus.

As at the Latest Practicable Date, we are in the process of establishing Liaoning Kazuo Jinhang Rural Bank* (遼寧喀左錦行村鎮銀行股份有限公司), which is expected to become our non-wholly-owned subsidiary.

B. Shareholders of our Subsidiaries

*(a) **Liaoning Yi County Xianghe Village and Township Bank Co., Ltd.* (遼寧義縣祥和村鎮銀行股份有限公司) ("Yi County Xianghe")***

As of the Latest Practicable Date, the scope of business of Yi County Xianghe included taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic payment settlements; accepting and discounting bills; engaging in interbank lending; engaging in bank debit card business; acting as the issuing agent, cashing agent and underwriter of government bonds; collecting and making payment as agents and acting as insurance agents; other businesses approved by the banking regulatory authorities. Yi County Xianghe was held by our Bank as to 58.29% as of the Latest Practical Date. The remaining equity interests of Yi Country Xianghe were held as to 7.37%, 4.61%, 4.61%, 3.69%, 3.69%, 2.77%, 1.84% and 13.13% by Jinzhou Feng'an Industrial Co., Ltd.* (錦州豐安實業有限責任公司), Liaoning Jiudaoling Coal Co., Ltd.* (遼寧九道嶺煤業有限公司), Liaoning Xintai Machine Tool Co., Ltd.* (遼寧鑫泰機床有限公司), Liaoning Jinxing Electrical Fittings Technology Co., Ltd.* (遼寧錦興電力金具科技股份有限公司), Yi County Hongda Industrial Co., Ltd.* (義縣宏達實業有限責任公司), Jinzhou Shuangshuangxianglayuan Food Co., Ltd.* (錦州雙雙香辣園食品有限公司), Jinzhou Machine Parts Factory* (錦州機床配件廠) and 43 individual shareholders, respectively. As of the Latest Practicable Date, among the shareholders of Yi County Xianghe, Liaoning Jinxing Electrical Fittings Technology Co., Ltd.* (遼寧錦興電力金具科技股份有限公司) held approximately 0.12% equity interest in our Bank, and Mr. Zhou Baocheng (周保成), Mr. Cao Xujin (曹旭錦), Mr. Wang Yong (汪勇), Mr. Yang Shuguang (楊曙光), Mr. Yu Ming (于溟), Mr. Wang Yong (王勇), Ms. Zeng Yan (曾艷), Ms. Li Ling (李玲), Mr. Li Dan (李丹), Ms. Wang Liping (王麗萍), Mr. Liu Jia (劉佳), Mr. Liu Long (劉龍) and Ms. Dong Jingyi (董倞伊) held an aggregate of approximately 0.01% equity interest in our Bank. Save as disclosed, the shareholders of Yi County Xianghe are independent third parties to our Bank as of the Latest Practicable Date.

*(b) **Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.* (錦州太和益民村鎮銀行股份有限公司) ("Taihe Yimin")***

As of the Latest Practicable Date, the scope of business of Taihe Yimin included taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic payment settlements; accepting and discounting bills; engaging in interbank lending; engaging in bank card business; acting as the issuing agent, cashing agent and underwriter of government bonds; collecting and making payment as agents and acting as insurance agents; other businesses approved by the banking regulatory authorities. Taihe Yimin was held by our Bank as to 58.57% as of the Latest Practicable Date. The remaining equity interests of Taihe Yimin were held as to 9.97%, 9.97%, 9.97%, 9.97% and 1.55% by Jinzhou Around Bohai Investment Co., Ltd.* (錦州環渤海投資有限公司), Shenyang Longrun Taihe Industrial Development Co., Ltd.* (瀋陽龍潤太和實業發展有限公司), Jinzhou Luhu Industrial Development Co., Ltd.* (錦州路虎實業發展有限公司), Sanhe Longxi Culture Media Co., Ltd.* (三河龍璽文化傳媒有限公司) and 57 individual shareholders, respectively. As of the Latest Practicable Date, among the shareholders of Taihe Yimin, Ms. Wei Zhongling (偉忠玲), Mr. Liu Yizhu (劉一柱), Mr. He Wei (何威), Ms. Guan Ning (管寧), Mr. Man Jun (滿軍), Ms. Huang Yan (黃豔), Mr. Li Yue (李躍), Mr. Zheng Enzhong (鄭恩忠), Mr. Wang Baoshan (王寶山), Mr. Cao Xujin (曹旭錦), Mr. Jin Shuchen (金書臣), Mr. Cheng Zhiming (程志明), Ms. Zhang Jing (張靜), Ms. Wang Yan (王妍), Mr. Zhang Zhenyu (張振宇), Ms. Jiang Dan (姜丹), Mr. Liu Qing (劉慶), Mr. Fan Yong (范勇), Ms. Xiu Dongna (修冬娜), Mr. Zhang Jisheng (張繼升), Ms. Wang Min (王敏), Ms. Wu Xuchun (吳旭春), Ms. Lu Yue (魯月), Mr. Liu Fengsong (劉峰松), Mr. Wang Dajun (王大軍), Mr. Zhang Xi (張惜), Ms. Liu Xiaoxue (劉曉雪), Mr. An Chungang (安春剛), Ms. Tian Li (田麗), Mr. Zhou Wei (周巍), Ms. Li Hongli (李紅麗), Mr. Li Jinming (李錦明), Ms. Xu Jing (徐靜) and Mr. Liu Yang (劉洋) held an aggregate of approximately 0.03% equity interest in our Bank. Save as disclosed, the shareholders of Taihe Yimin are independent third parties to our Bank as of the Latest Practicable Date.

*(c) **Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司) ("Beizhen Yimin")***

As of the Latest Practicable Date, the scope of business of Beizhen Yimin included taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic payment settlements; accepting and discounting bills; engaging in interbank lending; engaging in bank debit card business; acting as the issuing agent, cashing agent and underwriter of government bonds; collecting and making payment as agents and acting as insurance agents; other businesses approved by the banking regulatory authorities. Beizhen Yimin was held by our Bank as to 47.74% as of the Latest Practicable Date. The remaining equity interests of Beizhen Yimin were held as to 9.78%, 6.88%, 4.94%, 4.84%, 4.84%, 4.84%, 4.84%, 2.91%, 1.94% and 6.45% by Jinzhou City Asphalt Plant* (錦州市瀝青廠), Liaoning Dahe Lushan Tourism Services Co., Ltd.* (遼寧大河閭山旅遊服務有限公司), Beizhen City Wufeng Chengfeng Biotech Co., Ltd.* (北鎮市五峰成鳳生物科技有限公司), Liaoning Yinjia Goubangzi Xunji Group Co., Ltd.* (遼寧尹家溝幫子熏雞集團有限公司), Jinzhou Jinyalong Automobile Trading Co., Ltd.* (錦州金亞龍汽車貿易有限公司), Beizhen Hongwei Feed Co., Ltd.* (北鎮宏偉飼料有限公司), Beizhen City Longsheng Petrochemical Co., Ltd.* (北鎮市隆盛石化有限公司), Beizhen City Luoluobao Carton Plant* (北鎮市羅羅堡紙箱廠), Beizhen City Wanfeng Ecological Farms* (北鎮市萬豐生態養殖場) and 44 individual shareholders, respectively. As of the Latest Practicable Date, among the shareholders of Beizhen Yimin, Mr. Zhang Chunyu (張春雨), Mr. Liu Hua (劉華), Mr. Gong Lixin (龔利新), Mr. Wang Hongbing (王洪兵), Mr. Liang Jie (梁傑), Mr. Wang Junjiang (王俊江), Ms. Wang Yanli (王艷麗), Mr. Cheng Xin (程新) and Mr. Ding Min (丁敏) held an aggregate of approximately 0.01% equity interest in our Bank.

Pursuant to an acting in concert agreement dated June 1, 2014 entered into among our Bank, Jinzhou City Asphalt Plant* (錦州市瀝青廠), Liaoning Dahe Lushan Tourism Services Co., Ltd.* (遼寧大河閭山旅遊服務有限公司), Beizhen City Wufeng Chengfeng Biotech Co., Ltd.* (北鎮市五峰成

鳳生物科技有限公司), Liaoning Yinjia Goubangzi Xunji Group Co., Ltd.* (遼寧尹家溝幫子熏雞集團有限公司), Jinzhou Jinyalong Automobile Trading Co., Ltd.* (錦州金亞龍汽車貿易有限公司), Beizhen Hongwei Feed Co., Ltd.* (北鎮宏偉飼料有限公司), Beizhen City Luoluobao Carton Plant* (北鎮市羅羅堡紙箱廠) and Beizhen City Wanfeng Ecological Farms* (北鎮市萬豐生態養殖場), an acting in concert arrangement has been made in relation to voting at the board of directors and shareholders' general meeting of Beizhen Yimin, nomination and election of senior management and other decisions in relation to the operation of Beizhen Yimin starting from the date of such agreement. The relevant shareholders of Beizhen Yimin also issued confirmation letters to confirm that they have acted in concert with our Bank in respect of the exercise of voting rights on major matters in relation to the operation and development of Beizhen Yimin at the shareholders' general meeting from the year 2011 to the year 2013.

As Beizhen City Longsheng Petrochemical Co., Ltd.* (北鎮市隆盛石化有限公司) became a shareholder of Beizhen Yimin, a new acting in concert agreement dated September 30, 2014 was entered into among our Bank, Jinzhou City Asphalt Plant* (錦州市瀝青廠), Liaoning Dahe Lushan Tourism Services Co., Ltd.* (遼寧大河閭山旅遊服務有限公司), Beizhen City Wufeng Chengfeng Biotech Co., Ltd.* (北鎮市五峰成鳳生物科技有限公司), Liaoning Yinjia Goubangzi Xunji Group Co., Ltd.* (遼寧尹家溝幫子熏雞集團有限公司), Jinzhou Jinyalong Automobile Trading Co., Ltd.* (錦州金亞龍汽車貿易有限公司), Beizhen Hongwei Feed Co., Ltd.* (北鎮宏偉飼料有限公司), Beizhen City Longsheng Petrochemical Co., Ltd.* (北鎮市隆盛石化有限公司), Beizhen City Luoluobao Carton Plant* (北鎮市羅羅堡紙箱廠) and Beizhen City Wanfeng Ecological Farms* (北鎮市萬豐生態養殖場), pursuant to which they agreed to acting in concert as stated above.

Therefore, Beizhen Yimin was deemed to be controlled by our Bank and was a subsidiary of our Bank from accounting prospective. Save as disclosed, the shareholders of Beizhen Yimin are independent third parties to our Bank as of the Latest Practicable Date.

*(d) **Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行股份有限公司) ("Heishan Jinhang")***

As of the Latest Practicable Date, the scope of business of Heishan Jinhang included taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic payment settlements; accepting and discounting bills; engaging in interbank lending; engaging in bank debit card business; acting as the issuing agent, cashing agent and underwriter of government bonds; collecting and making payment as agents and acting as insurance agents; other businesses approved by the banking regulatory authorities. Heishan Jinhang was held by our Bank as to 48.53% as of the Latest Practicable Date. The remaining equity interests of Heishan Jinhang were held as to 9.66%, 8.40%, 8.40%, 8.40%, 1.68% and 14.93% by Liaoning Yuejin Industrial Group Co., Ltd.* (遼寧躍進實業集團有限公司), Jinzhou City Linda Feed Co., Ltd.* (錦州市麟達飼料有限公司), Liaoning Fumin Liaoyu White Cattle Farming Cooperatives* (遼寧富民遼育白牛養殖專業合作社), Heishan County Huangma Fruit Tree Planting Cooperatives* (黑山縣黃馬果樹種植專業合作社), Liaoning Modern Agricultural Equipment Co., Ltd.* (遼寧現代農機裝備有限公司) and eight individual shareholders, respectively. As of the Latest Practicable Date, among the shareholders of Heishan Jinhang, Liaoning Modern Agricultural Equipment Co., Ltd.*(遼寧現代農機裝備有限公司), Ms. Liu Dongmei (劉冬梅) Mr. Yang Hongzhi (楊洪志) and Mr. Chen Mai (陳邁) held an aggregate of approximately 0.05% equity interest in our Bank.

Pursuant to the acting in concert agreement dated September 20, 2014 entered into among our Bank, Liaoning Yuejin Industrial Group Co., Ltd.* (遼寧躍進實業集團有限公司) and Jinzhou City Linda Feed Co., Ltd.* (錦州市麟達飼料有限公司), an acting in concert arrangement has been made in relation to voting at the board of directors and shareholders' general meeting, nomination and election of senior management and other decisions in relation to the operation of Heishan Jinhang starting from the date of such agreement. Therefore, Heishan Jinhang was deemed to be controlled by our Bank and was a subsidiary of our Bank from accounting prospective. Save as disclosed, the shareholders of Heishan Jinhang are independent third parties to our Bank as of the Latest Practicable Date.

C. **Changes in Share Capital**

The changes in share capital of our subsidiaries within the two years immediately preceding the date of this prospectus were set out below:

(a) On December 4, 2013, the share capital of Beizhen Yimin was increased from RMB65.19 million to RMB74.39 million, of which 46.90% was held by our Bank;

(b) On December 13, 2013, the share capital of Taihe Yimin was increased from RMB41.91 million to RMB79.75 million, of which 59.25% was held by our Bank;

(c) On December 17, 2013, the share capital of Yi County Xianghe was increased from RMB50.25 million to RMB80.00 million, of which 62.00% was held by our Bank;

(d) On January 28, 2014, Heishan Jinhang was established as a limited liability company with share capital of RMB100 million, of which 57.75% was held by our Bank;

(e) On September 30, 2014, the share capital of Yi County Xianghe was increased from RMB80.00 million to RMB108.49 million, of which 58.29% was held by our Bank;

(f) On September 30, 2014, the share capital of Taihe Yimin was increased from RMB79.75 million to RMB103.21 million, of which 58.57% was held by our Bank;

(g) On September 30, 2014, the share capital of Heishan Jinhang was increased from RMB100.00 million to RMB119.00 million, of which 48.53% was held by our Bank; and

(h) On September 30, 2014, the share capital of Beizhen Yimin was increased from RMB74.39 million to RMB103.25 million, of which 47.74% was held by our Bank.

Save as disclosed above, there has been no alterations in the share capital of our subsidiaries which took place within the two years preceding the date of this prospectus.

3. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material:

(a) a capital contribution agreement dated May 16, 2014 entered into among our Bank, Rongcheng Huatai Motor Co., Ltd.* (榮成華泰汽車有限公司, "**Rongcheng Huatai**") and Liaoning Chengwei Plastic Profile Co., Ltd.* (遼寧程威塑料型材有限公司, "**Chengwei Plastic**"), pursuant to which it was agreed that Bank of Jinzhou Financial Leasing Co., Ltd.* (錦銀金融租賃有限責任公司) would be established as a limited liability company with a registered capital of RMB1,000,000,000;

(b) an acting in concert agreement dated June 1, 2014 entered into among our Bank, Jinzhou City Asphalt Plant* (錦州市瀝青廠), Liaoning Dahe Lushan Tourism Services Co., Ltd.* (遼寧大河閭山旅遊服務有限公司), Beizhen City Wufeng Chengfeng Biotech Co., Ltd.* (北鎮市五峰成鳳生物科技有限公司), Liaoning Yinjia Goubangzi Xunji Group Co., Ltd.* (遼寧尹家溝幫子熏雞集團有限公司), Jinzhou Jinyalong Automobile Trading Co., Ltd.* (錦州金亞龍汽車貿易有限公司), Beizhen Hongwei Feed Co., Ltd.* (北鎮宏偉飼料有限公司), Beizhen City Luoluobao Carton Plant* (北鎮市羅羅堡紙箱廠) and Beizhen City Wanfeng Ecological Farms* (北鎮市萬豐生態養殖場) in relation to, among others, voting at board meeting and shareholders' meeting of Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司);

(c) an acting in concert agreement dated September 20, 2014 entered into among our Bank, Liaoning Yuejin Industrial Group Co., Ltd.* (遼寧躍進實業集團有限公司) and Jinzhou City Linda Feed Co., Ltd.* (錦州市麟達飼料有限公司) in relation to, among others, voting at board meeting and shareholders' meeting of Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行有限公司);

(d) an acting in concert agreement dated September 30, 2014 entered into among our Bank, Jinzhou City Asphalt Plant* (錦州市瀝青廠), Liaoning Dahe Lushan Tourism Services Co., Ltd.* (遼寧大河閭山旅遊服務有限公司), Beizhen City Wufeng Chengfeng Biotech Co., Ltd.* (北鎮市五峰成鳳生物科技有限公司), Liaoning Yinjia Goubangzi Xunji Group Co., Ltd.*(遼寧尹家溝幫子熏雞集團有限公司), Jinzhou Jinyalong Automobile Trading Co., Ltd.* (錦州金亞龍汽車貿易有限公司), Beizhen Hongwei Feed Co., Ltd.* (北鎮宏偉飼料有限公司), Beizhen City Longsheng Petrochemical Co., Ltd.* (北鎮市隆盛石化有限公司), Beizhen City Luoluobao Carton Plant* (北鎮市羅羅堡紙箱廠) and Beizhen City Wanfeng Ecological Farms* (北鎮市萬豐生態養殖場) in relation to, among others, voting at board meeting and shareholders' meeting of Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司);

(e) a share subscription agreement dated October 15, 2014 entered into between our Bank and Liaoning Tenghua Plastic Co., Ltd.* (遼寧騰華塑料有限公司, "**Tenghua Plastic**"), pursuant to which our Bank agreed to issue shares of our Bank to Tenghua Plastic and Tenghua Plastic agreed to subscribe for 80,000,000 shares of our Bank for a total consideration of RMB280 million;

(f) a share subscription agreement dated October 15, 2014 entered into between our Bank and Rongcheng Huatai, pursuant to which our Bank agreed to issue shares of our Bank to Rongcheng Huatai and Rongcheng Huatai agreed to subscribe for 150,000,000 shares of our Bank for a total consideration of RMB525 million;

(g) a share subscription agreement dated October 15, 2014 entered into between our Bank and Chengwei Plastic, pursuant to which our Bank agreed to issue shares of our Bank to Chengwei Plastic and Chengwei Plastic agreed to subscribe for 20,000,000 shares of our Bank for a total consideration of RMB70 million;

(h) a share subscription agreement dated October 31, 2014 entered into between our Bank and Chengwei Plastic, pursuant to which our Bank agreed to issue shares of our Bank to Chengwei Plastic and Chengwei Plastic agreed to subscribe for 50,000,000 shares of our Bank for a total consideration of RMB175 million;

(i) a share subscription agreement dated October 31, 2014 entered into between our Bank and Yinchuan Baota Refined Chemical Industry Co., Ltd.* (銀川寶塔精細化工有限公司, "**Yinchuan Baota**"), pursuant to which our Bank agreed to issue shares of our Bank to Yinchuan Baota and Yinchuan Baota agreed to subscribe for 200,000,000 shares of our Bank for a total consideration of RMB700 million;

(j) a promoter agreement dated April 20, 2015 entered into among our Bank, Kazuo Pengda Casting Co., Ltd.* (喀左鵬達鑄造有限公司), Zhao Jinxia (趙金霞), Xu Guishi (許貴時), Cui Lingyue (崔淩月), Wu Yingqi (吳英奇), Yang Yunlong (楊雲龍), Ma Jing (馬靜), Xue Bin (薛斌), Dou Yun (竇雲), Xu Mingming (許明明), Li Jingjing (李晶晶), Wang Zhida (旺志達), Wang Liming (王立明), Pang Xiying (龐喜英), Liu Guoying (劉國英), Tan Mingjian (譚明建), Wang Songhai (王松海), Cui Guangya (崔光亞), Li Huazhi (李化芝), Zhang Xiaofeng (張曉峰), Liu Xiaoli (劉曉莉), Zhang Lisheng (張立生), Wei Fengmin (魏鳳敏), Song Dajing (宋大京), Ren Yuyou (任玉友) and Wu Chunlei (烏春雷), pursuant to which it was agreed that Liaoning Kazuo Jinhang Rural Bank* (遼寧喀左錦行村鎮銀行股份有限公司) would be established as a joint stock limited company with a registered capital of RMB100,000,000;

(k) a cornerstone investment agreement dated November 20, 2015 entered into among our Bank, CCB International, Hong Kong Tian Yuan Manganese International Trade Co., Limited (香港天元錳業國際貿易有限公司) and Ningxia Tian Yuan Manganese Co., Ltd.* (寧夏天元錳業有限公司), the details of which are set out in the section headed "Our Cornerstone Investor" in this prospectus; and

(l) the Hong Kong Underwriting Agreement.

B. **Intellectual Property Rights**

As of the Latest Practicable Date, we have registered the following intellectual property rights which are material in relation to our business:

(a) ***Trademarks***

No.	Trademark	Place of registration	Class	Registration number	Effective period
1.		PRC	9	5817011	December 21, 2009 - December 20, 2019
2.	7777	PRC	36	6876009	November 21, 2010 - November 20, 2020
3.		PRC	36	7886636	March 14, 2011 - March 13, 2021
4.	锦州银行	PRC	36	9347953	April 28, 2012 - April 27, 2022
5.	BANK OF JINZHOU	PRC	36	9347967	April 28, 2012 - April 27, 2022
6.		PRC	36	9347983	April 28, 2012 - April 27, 2022
7.		PRC	41	9355512	April 28, 2012 - April 27, 2022
8.	锦州银行	PRC	35	9352964	May 7, 2012 - May 6, 2022
9.		PRC	35	9352981	May 7, 2012 - May 6, 2022
10.		PRC	35	9353051	May 7, 2012 - May 6, 2022
11.	锦州银行 BANK OF JINZHOU	PRC	41	9355546	May 7, 2012 - May 6, 2022
12.		PRC	41	9355556	May 7, 2012 - May 6, 2022
13.		PRC	9	9362127	May 7, 2012 - May 6, 2022
14.		PRC	9	9362425	May 7, 2012 - May 6, 2022

No.	Trademark	Place of registration	Class	Registration number	Effective period
15.		PRC	41	9366976	May 7, 2012 - May 6, 2022
16.		PRC	16	9367095	May 7, 2012 - May 6, 2022
17.	锦州银行 BANK OF JINZHOU	PRC	14	9370455	May 7, 2012 - May 6, 2022
18.	锦州银行 BANK OF JINZHOU	PRC	21	9379512	May 7, 2012 - May 6, 2022
19.	锦州银行 BANK OF JINZHOU	PRC	38	9367765	May 14, 2012 - May 13, 2022
20.		PRC	36	7119157	May 28, 2012 - May 27, 2022
21.		PRC	36	9348006	June 7, 2012 - June 6, 2022
22.	锦州银行 BANK OF JINZHOU	PRC	17	9373125	June 7, 2012 - June 6, 2022
23.	锦州银行 BANK OF JINZHOU	PRC	16	9367081	June 21, 2012 - June 20, 2022
24.	锦州银行 BANK OF JINZHOU	PRC	43	9373248	June 21, 2012 - June 20, 2022
25.	锦州银行 BANK OF JINZHOU	PRC	42	9373323	June 21, 2012 - June 20, 2022
26.	锦州银行 BANK OF JINZHOU	PRC	18	9379241	June 21, 2012 - June 20, 2022
27.	锦州银行 BANK OF JINZHOU	PRC	22	9379570	June 21, 2012 - June 20, 2022
28.	锦州银行 BANK OF JINZHOU	PRC	24	9379648	June 21, 2012 - June 20, 2022
29.	锦州银行 BANK OF JINZHOU	PRC	26	9379784	June 21, 2012 - June 20, 2022
30.	锦州银行 BANK OF JINZHOU	PRC	28	9379828	June 21, 2012 - June 20, 2022
31.	7777	PRC	36	9342207	June 28, 2012 - June 27, 2022
32.	锦州银行 BANK OF JINZHOU	PRC	8	9370385	June 28, 2012 - June 27, 2022
33.	锦州银行 BANK OF JINZHOU	PRC	44	9373196	June 28, 2012 - June 27, 2022
34.	锦州银行 BANK OF JINZHOU	PRC	36	9347911	July 7, 2012 - July 6, 2022

No.	Trademark	Place of registration	Class	Registration number	Effective period
35.		PRC	35	9348149	August 21, 2012 - August 20, 2022
36.		PRC	40	9373542	August 21, 2012 - August 20, 2022
37.		PRC	12	9370405	August 28, 2012 - August 27, 2022
38.		PRC	9	9362465	September 7, 2012 - September 6, 2022
39.		PRC	6	9367884	September 21, 2012 - September 20, 2022
40.		PRC	25	9379751	September 28, 2012 - September 27, 2022
41.		PRC	36	9348067	October 7, 2012 - October 6, 2022
42.		PRC	36	9348082	October 7, 2012 - October 6, 2022
43.		PRC	37	9384809	December 21, 2013 - December 20, 2023
44.		PRC	9	9362038	December 28, 2013 - December 27, 2023
45.		PRC	45	9373170	December 28, 2013 - December 27, 2023
46.		PRC	39	9373489	December 28, 2013 - December 27, 2023
47.		PRC	20	9379328	December 28, 2013 - December 27, 2023
48.	7777	PRC	35	9352974	January 7, 2014 - January 6, 2024
49.		PRC	38	9367816	January 7, 2014 - January 6, 2024
50.		PRC	35	9348115	January 21, 2014 - January 20, 2024
51.		HK	9, 36	303034629	June 16, 2014 - June 15, 2024
52.		HK	9, 36	303034638	June 16, 2014 - June 15, 2024

As of the Latest Practicable Date, we have duly applied for the registration of the following trademarks which are material in relation to our business:

No.	Trademark	Place of Registration	Class	Application Number	Application Date
1.		PRC	36	9347940	April 15, 2011
2.		PRC	41	9355552	April 18, 2011
3.		PRC	35	9355660	April 18, 2011

(b) ***Domain Names***

As at the Latest Practicable Date, we have registered the following domain names:

No.	Domain Name	Expiration Date
1.	jinzhoubank.com	April 25, 2016
2.	jzccb.com	August 29, 2016
3.	锦州银行(无线网址)	October 24, 2016
4.	锦州银行.网址	October 24, 2016
5.	96178.com.cn	December 27, 2016
6.	锦州银行.com	May 21, 2017
7.	锦州银行.net	May 21, 2017
8.	锦州银行.cn	December 19, 2018
9.	锦州银行.中国	December 19, 2018
10.	锦州银行.公司	August 20, 2019
11.	锦州银行.tm	November 6, 2023
12.	锦州银行股份有限公司.tm	November 11, 2023
13.	锦州银行股份有限公司.com	November 13, 2024
14.	锦州银行股份有限公司.net	November 13, 2024
15.	锦州银行(通用网址)	March 9, 2025
16.	锦州银行股份有限公司.网址	March 15, 2025
17.	锦州银行股份有限公司.公司	August 21, 2025
18.	锦州银行股份有限公司.cn	November 15, 2025
19.	锦州银行股份有限公司.中国	November 15, 2025

Save as disclosed herein, there are no other trademarks, patents or other intellectual or industrial property rights which are material to our business.

C. Our Depositors and Borrowers

Our five largest depositors and five largest borrowers accounted for less than 30% of our respective total deposits and loans and advances as at June 30, 2015.

4. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS

A. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons (other than our Directors, Supervisors and chief executive) will have interests or short positions in our shares or underlying shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

			Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)			**Immediately after completion of the Global Offering (assuming the Over-allotment Option is exercised in full)**		
Name of shareholder	**Nature of interest**	**Class**	**Number of Shares**	**Approximate percentage of our total issued share capital (%)**	**Approximate percentage of the relevant class of shares of our Bank (%)**	**Number of Shares**	**Approximate percentage of our total issued share capital (%)**	**Approximate percentage of the relevant class of shares of our Bank (%)**
Yinchuan Baota	Beneficial owner	Domestic Shares	250,000,000[(1)]	4.46	5.84	250,000,000[(1)]	4.32	5.86
Baota Energy......	Interest of controlled corporation	Domestic Shares	250,000,000[(1)]	4.46	5.84	250,000,000[(1)]	4.32	5.86
Baota Petrochemical.	Interest of controlled corporation	Domestic Shares	250,000,000[(1)]	4.46	5.84	250,000,000[(1)]	4.32	5.86
Mr. SUN Yanchao	Interest of controlled corporation	Domestic Shares	250,000,000[(1)]	4.46	5.84	250,000,000[(1)]	4.32	5.86

Note:

(1) Such shares are held by Yinchuan Baota, which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd.* (寧夏寶塔能源化工有限公司) (**"Baota Energy"**), which is in turn held by Baota Petrochemical Group Co., Ltd.* (寶塔石化集團有限公司)("**Baota Petrochemical**") and Mr. SUN Yanchao (孫衍超先生) as to 90.2% and 9.8%, respectively. Baota Petrochemical is controlled by Mr. SUN Yanchao (孫衍超先生) as to 43.8%. Under the SFO, Baota Energy, Baota Petrochemical and Mr. SUN Yanchao (孫衍超先生) are deemed to be interested in all the shares held by Yinchuan Baota.

B. **Disclosure of the Directors', Supervisors' and Chief Executive's Interests in the Issued Share Capital of our Bank or our Associated Corporations**

Save as disclosed below, immediately following the completion of the Global Offering, none of our Directors, Supervisors or chief executive will have any interests or short positions in the equity, underlying shares or debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) after listing of the H Shares, or any interests or short positions, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules, which will be required to be notified to us and the Hong Kong Stock Exchange, or any interests or short positions, pursuant to section 352 of the SFO, which will be required to be entered in the register referred to therein after listing of the H Shares. For this purpose, the relevant provisions of the SFO shall be construed as if they are applicable to our Supervisors.

Directors

			Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)			Immediately after completion of the Global Offering (assuming the Over-allotment Option is exercised in full)		
Name of Director	**Nature of interest**	**Class**	**Number of shares**	**Approximate percentage of total issued share capital of our Bank (%)**	**Approximate percentage of the relevant class of shares of our Bank (%)**	**Number of Shares**	**Approximate percentage of total issued share capital of our Bank (%)**	**Approximate percentage of relevant class of shares of our Bank (%)**
Mr. ZHANG Wei	Beneficial owner	Domestic Shares	374,670	0.0067	0.0087	374,670	0.0065	0.0088
Ms. CHEN Man	Beneficial owner	Domestic Shares	374,670	0.0067	0.0087	374,670	0.0065	0.0088
Ms. ZHAO Jie	Beneficial owner	Domestic Shares	119,065	0.0021	0.0028	119,065	0.0021	0.0028
Mr. WANG Jing	Beneficial owner	Domestic Shares	81,679	0.0015	0.0019	81,679	0.0014	0.0019
Ms. WANG Xiaoyu	Beneficial owner	Domestic Shares	71,027	0.0013	0.0017	71,027	0.0012	0.0017
Mr. LI Dongjun	Interest of controlled corporation	Domestic Shares	213,507,565[(1)]	3.8111	4.9859	213,507,565[(1)]	3.6925	5.0069
	Interest of controlled corporation	Domestic Shares	33,179,021[(2)]	0.5922	0.7748	33,179,021[(2)]	0.5738	0.7781

Notes:

1. Such shares are held by Jincheng International and 99% equity interests in Jincheng International is held by Mr. LI Dongjun. Under the SFO, Mr. LI Dongjun is taken or deemed to be interested in all the shares held by Jincheng International.

2. Such shares are held by Dalian Changxing Island Green-city Development Co., Ltd.* (大連長興島綠城發展有限公司), which is held as to 99.76% by Jinlian Investment Group Co., Ltd.* (錦聯控股集團有限公司), whose 90% equity interests in turn is owned by Mr. LI Dongjun. Under the SFO, Mr. LI Dongjun is taken or deemed to be interested in all the shares held by Dalian Changxing Island Green-city Development Co., Ltd.

Supervisors

			Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)			Immediately after completion of the Global Offering (assuming the Over-allotment Option is exercised in full)		
Name of Supervisor	**Nature of interest**	**Class**	**Number of shares**	**Approximate percentage of total issued share capital of our Bank (%)**	**Approximate percentage of the relevant class of shares of our Bank (%)**	**Number of Shares**	**Approximate percentage of total issued share capital of our Bank (%)**	**Approximate percentage of relevant class of shares of our Bank (%)**
Mr. XU Fei	Beneficial owner	Domestic Shares	70,770	0.0013	0.0017	70,770	0.0012	0.0017
Ms. LI Xiu	Beneficial owner	Domestic Shares	55,958	0.0010	0.0013	55,958	0.0010	0.0013
Ms. SHI Hongmiao	Beneficial owner	Domestic Shares	15,257	0.0003	0.0004	15,257	0.0003	0.0004
Mr. TIAN Deying.........	Interest of controlled corporation	Domestic Shares	100,642,000(1)	1.7965	2.3502	100,642,000(1)	1.7405	2.3601
Ms. LUO Yan ...	Beneficial owner	Domestic Shares	75,596	0.0013	0.0018	75,596	0.0013	0.0018

Note:

1. Such shares are held by Beizhen Deying Oil Shale Processing Co., Ltd.* (北鎮德營油母頁岩油有限公司), which is beneficially owned by Mr. TIAN Deying. Under the SFO, Mr. Tian taken or deemed to be interested in all the shares held by Beizhen Deying Oil Shale Processing Co., Ltd.

Chief executive

			Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)			Immediately after completion of the Global Offering (assuming the Over-allotment Option is exercised in full)		
Name of chief executive	Nature of interest	Class	Number of shares	Approximate percentage of total issued share capital of our Bank (%)	Approximate percentage of the relevant class of shares of our Bank (%)	Number of Shares	Approximate percentage of total issued share capital of our Bank (%)	Approximate percentage of relevant class of shares of our Bank (%)
Mr. HUO Lingbo	Beneficial owner	Domestic Shares	282,635	0.0050	0.0066	282,635	0.0049	0.0066
	Interest of spouse	Domestic Shares	86,472[1]	0.0015	0.0020	86,472[1]	0.0015	0.0020

Note:

(1) Under the SFO, Mr. Huo is taken or deemed to be interested in all the shares held by his spouse.

C. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

D. Directors' and Supervisors' Remuneration

The aggregate remuneration (including emoluments, salaries, contributions to pension plans, housing and other allowances, benefits in kind and discretionary bonus) paid to our Directors and Supervisors for the year ended December 31, 2014 and for the six months ended June 30, 2015 were RMB14.4 million and RMB10.4 million, respectively.

Pursuant to the existing arrangements that are currently in force, for the year ending December 31, 2015, it is estimated that the remuneration and benefits in kind to be received by our Directors and Supervisors from our Bank would be, in aggregate, approximately RMB17.0 million (including RMB10.4 million already paid for the six months ended June 30, 2015).

E. **Agency Fees or Commissions Paid or Payable**

Save as disclosed in this prospectus, none of our Directors or any of the persons whose names are listed in the paragraph headed "5. Other Information — E. Qualification of Experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issuance or sale of any capital of our Bank from us within the two years preceding the date of this prospectus.

F. **Disclaimers**

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors and any of the parties listed in paragraph headed "5. Other Information — E. Qualification of Experts" in this appendix is:

(i) interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Bank; or

(ii) materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Purchase Agreement, none of the parties listed in paragraph headed "5. Other Information — E. Qualification of Experts" in this appendix:

(i) is interested legally or beneficially in any of our shares or our securities; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our shares or any of our securities;

(c) none of our Directors or Supervisors or their associates or any shareholders of our Bank who, to the knowledge of our Directors, owns more than 5% of our issued share capital has any interest in our top five depositors and borrowers during the Track Record Period; and

(d) none of our Directors or Supervisors is a director or employee of a company which has an interest in the share capital of our Bank, and which have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the listing of H Shares on the Hong Kong Stock Exchange.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that currently there is no material liability for estate duty under PRC law is likely to be imposed on us.

B. Litigation

Save as disclosed in section headed "Business" of this prospectus, our Bank is not involved in any litigation, arbitration or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us as of the Latest Practicable Date.

C. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

We have entered into an engagement agreement with the Sole Sponsor, pursuant to which we agreed to pay US$1.5 million to the Sole Sponsor to act as the sponsor to our Bank in the Global Offering.

D. Preliminary Expenses

Our estimated preliminary expenses are approximately RMB0.81 million, which will be borne by us.

E. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given opinions or advice in this prospectus are as follows:

Name of expert	Qualification
CCB International Capital Limited	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Zhong Lun Law Firm	PRC legal advisor
KPMG	Certified public accountants
Liaoning Min Ju Law Firm	PRC legal advisor
Haiwen & Partners	PRC legal advisor

F. Consents

CCB International Capital Limited, as the Sole Sponsor, KPMG, as our reporting accountants, Zhong Lun Law Firm, as our legal advisor on PRC law, Liaoning Min Ju Law Firm, as our legal advisor on PRC law, and Haiwen & Partners, as PRC legal advisor to the Sole Sponsor and the Underwriters, have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, and/or opinions (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Bank or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Bank or any of our subsidiaries.

G. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Bank since June 30, 2015.

H. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

I. Waiver and Exemption

Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus for details.

J. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Promoters

The promoters comprised 15 legal entities and 851 natural persons from 16 urban credit cooperatives in Jinzhou (including Jinzhou City Urban Credit United Cooperation). Please refer to the section headed "History and Operational Reform" in this prospectus for further details.

Save for the Global Offering and as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters above in connection with the Global Offering or the related transactions described in this prospectus.

L. Particulars of the Selling Shareholders

Certain particulars of the Selling Shareholders are set out as follows:

No.	Name	Description	Address	Number of Sale Shares (assuming no exercise of the Over-allotment Option)	Number of Sale Shares (assuming full exercise of the Over-allotment Option)
1.	Jinzhou Finance Bureau	It is a governmental authority.	No. 3-25, Jiefang Road, Jinzhou, Liaoning Province, the PRC	61,576,539	70,813,020
2.	Jinzhou City Water Corporation* (錦州市自來水總公司)	Its principal business is urban centralized water supply, water pipe renovation, overhaul and maintenance and meter inspection.	No. 4-16, Shanghai Road, Linghe District, Jinzhou, Liaoning Province, the PRC	4,314,884	4,962,117
3.	Northern United Broadcasting Television Network Corporation* (北方聯合廣播電視網絡股份有限公司)	Its principal business is the construction, operation, maintenance and upgrading of the radio and television transmission and coverage network in Liaoning Province.	No. 2 Middle Street Road, Shenhe District, Shenyang, Liaoning Province, the PRC	1,744,130	2,005,749
4.	Shenyang Agricultural High-tech Zone State-owned Assets Management Co., Ltd.* (瀋陽農業高新區國有資產經營有限公司)	Its principal business is the management of state-owned assets.	No. 1 Mingzhu Road, Shenbei New District, Shenyang, Liaoning Province, the PRC	3,277,823	3,769,497
5.	Shenyang Agricultural Technology Enterprises Entrepreneur Services Co., Ltd. * (瀋陽農業科技企業創業服務有限責任公司)	Its principal business is enterprise incubator, establishment and lease operation of incubator places, etc.	No. 20, Huishan Street, Agricultural Advanced Technology Development District, Shenyang, Liaoning Province, the PRC	9,833,470	11,308,490

No.	Name	Description	Address	Number of Sale Shares (assuming no exercise of the Over-allotment Option)	Number of Sale Shares (assuming full exercise of the Over-allotment Option)
6.	Jinzhou Watson Asset Management (Group) Co., Ltd. * (錦州華信資產經營(集團)有限公司)	Its principal business is investment, operation and management (non-financial business) of industry, agriculture, mariculture industry, and urban infrastructure projects; land consolidation, development, and management; execution of promoter's duty to state-owned assets within authorized scope; economic information consultant; technology development and transfer; real estate development, engineering construction; assets operation; lease.	No. 5-13-5-3, Jiefang Road, Linghe District, Jinzhou, Liaoning Province, the PRC	16,389,117	18,847,484
7.	Beitai Iron & Steel Group Co., Ltd.* (北台鋼鐵(集團)有限責任公司)	Its principal business is authorized operation and management of state-owned assets, lease of assets and black metal smelting and rolling, etc.	No. 36, Huanshan Road, Mingshan District, Benxi, Liaoning Province, the PRC	6,766,083	7,780,995
8.	Liaoning Huaxing Electro-mechanical Co., Ltd. * (遼寧華興機電有限公司)	Its principal business is military products production, design, manufacture, sales and technical service of electromechanical products, etc.	No. 139, Jinyi Street, Linghe District, Jinzhou, Liaoning Province, the PRC	410,942	472,583
9.	Petro China Beiran Jinzhou Gas Co., Ltd. * (中石油北燃(錦州)燃氣有限公司)	Its principal business is production, supply and sales of gas, development of thermal power techniques, etc.	No. 1-1, Xudong Huayuan, Jiefang East Road, Linghe District, Jinzhou, Liaoning Province, the PRC	5,853,543	6,731,575
10.	Jinzhou Jinkai ELE. Appliance Group Co., Ltd. * (錦州錦開電器集團有限責任公司)	Its principal business is the manufacture and sale of high/low voltage switchgear and equipment, transformers, electrical components, etc.	No. 86 Nanshan Li, Taihe District, Jinzhou, Liaoning Province, the PRC	8,194,558	9,423,742
11.	Dongbei Special Steel Group Co., Ltd. * (東北特殊鋼集團有限責任公司)	Its principal business is steel smelting, maintenance and sales of automobiles, production of special steel, etc.	No. 18, Hebing South Road, Port-surrounding Industrial District, Dengsha River, Jinzhou District, Dalian, Liaoning Province, the PRC	1,638,911	1,884,748

M. **Pledges of shares of our Bank**

For the purpose of compliance with the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the "**Notice**") issued by CBRC in November 2013, we require our shareholders (including holders of our H shares) to notify us of their pledge of our shares by making prior filings of such pledge with us. Please refer to our website **www.jinzhoubank.com** for details on how to make such filings.

According to the Notice, commercial banks are required to stipulate in their articles of association that, for those shareholders that have pledged 50% or more of their equity interests in the bank, their voting rights at general meetings and the voting rights of directors designated by them at board meetings shall be "subject to restrictions". However, the Notice did not provide clarification or guidance on what restrictions should be imposed or how they should be imposed. In our handling of future shareholder voting, we intend to comply with the Notice in accordance with the clarification and guidance of regulatory authorities.

N. **Miscellaneous**

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fees or other special terms have been granted in connection with the issue or sale of any shares or loan capital of our Bank;

(b) no share or loan capital of our Bank is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) none of our equity and debt securities is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(g) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(h) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(i) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(j) we have no outstanding convertible debt securities; and

(k) we currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the Application Forms;

(b) the written consents referred to in the paragraph headed "5. Other Information — F. Consents" in Appendix VII to this prospectus;

(c) copies of each of the material contracts referred to in the paragraph headed "3. Further Information about Our Business — A. Summary of Our Material Contracts" in Appendix VII to this prospectus; and

(d) the particulars of the Selling Shareholders including their names, description and address.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) Articles of Association;

(b) the accountants' report from KPMG in respect of the historical financial information of the Group, the full text of which is set forth in Appendix I to this prospectus;

(c) our unaudited supplementary financial information, the full text of which is set forth in Appendix II to this prospectus;

(d) the report from KPMG in respect of the unaudited pro forma financial information of the Group, the full text of which is set forth in Appendix III to this prospectus;

(e) the legal opinions on general matters and property interests of our Bank issued by Zhong Lun Law Firm, our legal advisor as to PRC law, and the confirmation letter on the litigation between us and Liaoning Huaqiao Group Company issued by Liaoning Min Ju Law Firm, our legal advisor as to PRC law in relation to such litigation;

(f) the material contracts referred to in the paragraph headed "3. Further Information about Our Business — A. Summary of Our Material Contracts" in Appendix VII to this prospectus;

(g) the written consents referred to in the paragraph headed "5. Other Information — F. Consents" in Appendix VII to this prospectus;

(h) the service contracts referred to in the paragraph headed "4. Further Information about Our Directors, Management, Staff and Substantial Shareholders — C. Particulars of Service Contracts" in Appendix VII to this prospectus;

(i) copies of the following PRC laws and regulations, together with unofficial English translations thereof:

(i) the PRC Company Law;

(ii) the PRC Securities Law;

(iii) the Special Regulations;

(iv) the Mandatory Provisions;

(v) the Provisional Regulations Concerning the Issue and Trading of Shares (April 22, 1993);

(vi) the Arbitration Law of the PRC promulgated by the Standing Committee of the National People's Congress on August 31, 1994 which became effective on September 1, 1995 and as amend and implemented on August 27, 2015;

(vii) the Civil Procedure Law of the PRC adopted at the fourth meeting of the seventh National People's Congress , promulgated on April 9, 1991, as amended in 2007 and 2012, and implemented on January 1, 2013; and

(viii) the Commercial Banking Law of the PRC, promulgated by the Standing Committee of the NPC on May 10, 1995 and became effective on July 1, 1995, and as amended by the Standing Committee of the NPC on December 27, 2003 and August 29, 2015, respectively, which amendment became effective on October 1, 2015.

锦州银行
BANK OF JINZHOU