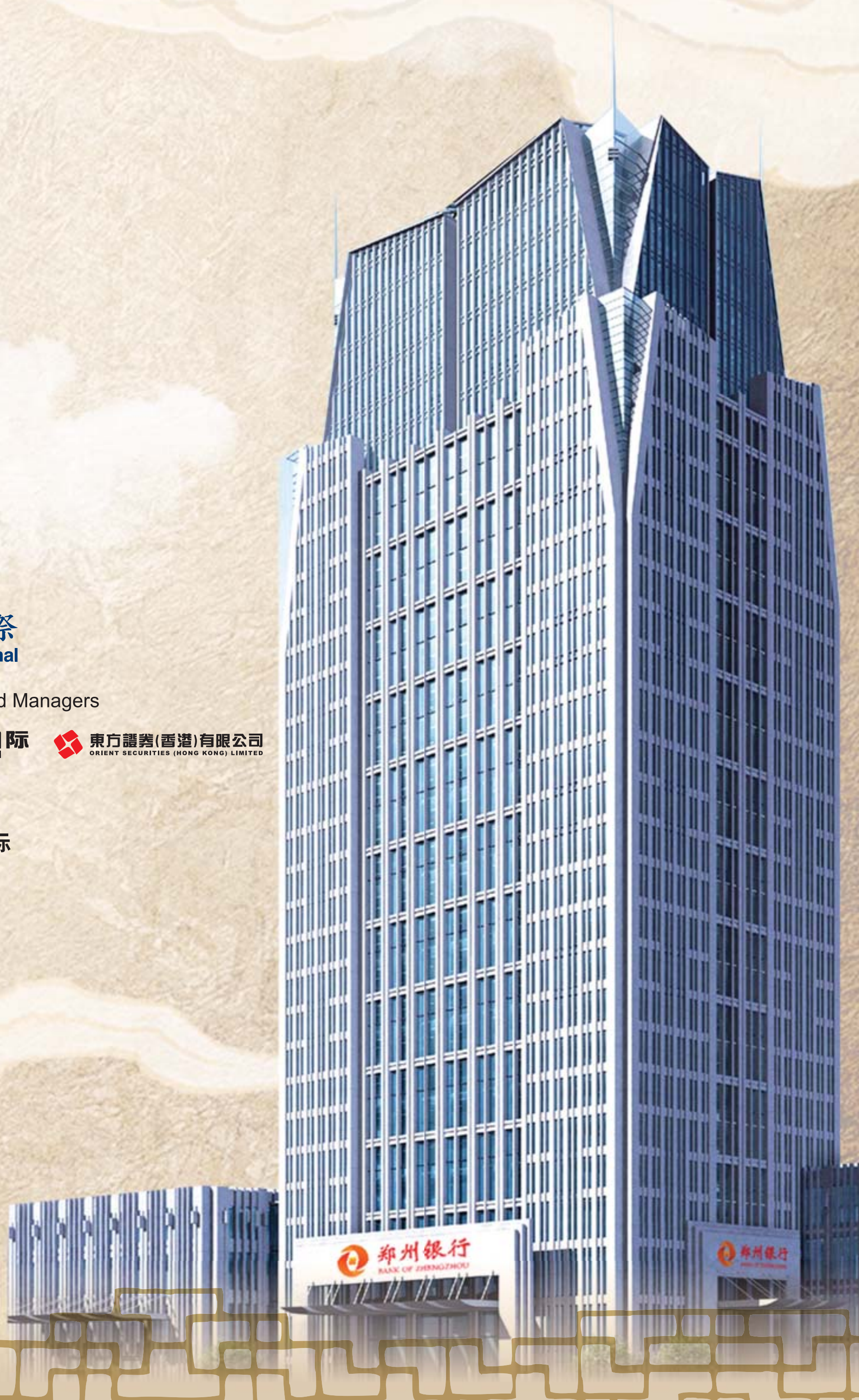
郑州银行
BANK OF ZHENGZHOU

鄭州銀行股份有限公司
BANK OF ZHENGZHOU CO., LTD.

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

STOCK CODE: 6196

GLOBAL OFFERING



Joint Sponsors

中信證券 CITIC CLSA Securities
交銀國際 BOCOM International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

中信證券 CITIC CLSA Securities
交銀國際 BOCOM International
建银国际 CCB International
東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED

Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG
國泰君安國際 GUOTAI JUNAN INTERNATIONAL
ICBC 工银国际
Pan Asia 泛亞金融有限公司 Pan Asia Corporate Finance Limited
農銀國際 ABC INTERNATIONAL

Joint Lead Manager

結好證券有限公司 GET NICE SECURITIES LIMITED

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

Bank of Zhengzhou Co., Ltd.*
鄭州銀行股份有限公司*

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

GLOBAL OFFERING

Number of Offer Shares in 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 Offer Shares in the International Offering :	**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$4.21 per H Share, plus brokerage 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 :	**6196**

Joint Sponsors

CITIC CLSA Securities

交銀國際 BOCOM International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CITIC CLSA Securities

交銀國際 BOCOM International

建银国际 CCB International

東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED

Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

ICBC 工银国际

Pan Asia 泛亞金融有限公司 Pan Asia Corporate Finance Limited

農銀國際 ABC INTERNATIONAL

Joint Lead Manager

結好證券有限公司 GET NICE SECURITIES LIMITED

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date, which is expected to be on or around Wednesday, December 16, 2015 (Hong Kong time) and, in any event, not later than Monday, December 21, 2015 (Hong Kong time). The Offer Price will be not more than HK$4.21 per H Share and is currently expected to be not less than HK$3.85 per H Share. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$4.21 per Hong Kong Offer Share, unless otherwise announced, together with a brokerage fee of 1%, a Hong Kong Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027%, subject to refund if the Offer Price should be lower than HK$4.21.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent (on behalf of ourselves and the Selling Shareholders), reduce the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered in the Global Offering 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) and on the website of our Bank at www.zzbank.cn and the website of the Hong Kong Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, please see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares".

If, for any reason, the Offer Price is not agreed on or before Monday, December 21, 2015 between the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), the Global Offering will not proceed and will lapse.

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 that there are different risk factors 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 Shares. Such differences and risk factors are set forth in "Risk Factors", "Supervision and Regulation", Appendix IV — "Summary of Principal Legal and Regulatory Provisions" and Appendix V — "Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set forth in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination".

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may only be offered, sold, pledged or transferred (i) within the United States to QIBs in reliance on Rule 144A or in reliance on another exemption from registration requirements under the U.S. Securities Act of 1933, as amended, or (ii) outside the United States in accordance with Regulation S.

* 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.

December 11, 2015

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk** [2]	11:30 a.m. on Wednesday, December 16, 2015
Application lists open[3]	11:45 a.m. on Wednesday, December 16, 2015
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, December 16, 2015
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, December 16, 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 Wednesday, December 16, 2015
Application lists close	12:00 noon on Wednesday, December 16, 2015
Expected Price Determination Date[5]	Wednesday, December 16, 2015

(1) Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment 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), and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Bank's website at **www.zzbank.cn**[6] on . . . . Tuesday, December 22, 2015

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (please see "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results") from . . . . Tuesday, December 22, 2015

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Tuesday, December 22, 2015
H Share certificates in respect of wholly or partially successful applications to be dispatched on[7][8]	Tuesday, December 22, 2015
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[8][9][10]	Tuesday, December 22, 2015

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on . . . . Wednesday, December 23, 2015

---

(1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in "Structure of the Global Offering".

(2) You will not be permitted to submit your application through the designated website at 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 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 Wednesday, December 16, 2015, the application lists will not open on that day. Please see "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists".

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section entitled "How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" of 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 Wednesday, December 16, 2015, and in any event no later than Monday, December 21, 2015. If, for any reason, the Offer Price is not agreed on or before Monday, December 21, 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) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, December 23, 2015, provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(8) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, 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 Tuesday, December 22, 2015. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for the Hong Kong Offer Shares".

(9) Applicants who apply through the White Form eIPO service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the application payment account, in the form of e-Refund payment instructions. Applicants who apply through the White Form eIPO service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions through the White Form eIPO service, in the form of refund cheques, by ordinary post at their own risk.

(10) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

CONTENTS

This prospectus is issued by Bank of Zhengzhou Co., Ltd. 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 security 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 Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or supervisors, or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in "Risk Factors". You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We are a fast-growing city commercial bank headquartered in Henan Province in terms of the growth of our total assets and net profit during the Track Record Period. We ranked the 376th in terms of total assets and the 440th in terms of tier-one capital at December 31, 2014 on the list of Top 1000 World Banks published in July 2015 by The Banker, up 66 and 40 positions from the preceding year. There are 117 PRC commercial banks on the list. In terms of total assets at December 31, 2014, we ranked the 45th among all PRC commercial banks, the 20th among all PRC city commercial banks and the second among city commercial banks headquartered in Henan Province. In terms of tier-one capital at December 31, 2014, we ranked the 53rd among all PRC commercial banks, the 24th among all PRC city commercial banks and the second among city commercial banks headquartered in Henan Province.

At December 31, 2014, our total assets, total customer deposits, total loans to customers and total equity were RMB204,289 million, RMB132,561 million, RMB77,986 million and RMB11,405 million, respectively. In 2014, our net profit was RMB2,463 million. According to CBRC Henan Office, we ranked the second among all city commercial banks headquartered in Henan Province, and had market shares of 34.6%, 32.3%, 29.6%, 21.2% and 32.8% in terms of total assets, total customer deposits, total loans to customers, total equity and net profit at or for the year ended December 31, 2014 of all city commercial banks headquartered in Henan Province, respectively. According to CBRC Henan Office, at December 31, 2014, we ranked the first in terms of total assets in Zhengzhou among all PRC commercial banks with operations in Zhengzhou.

Our total assets grew at a CAGR of 40.3% from RMB103,734 million at December 31, 2012 to RMB204,289 million at December 31, 2014, and our net profit grew at a CAGR of 29.9% from RMB1,460 million in 2012 to RMB2,463 million in 2014. Both of these rates were higher than the average CAGRs of PRC city commercial banks of 21.0% and 16.6%, respectively, for the same period, and were also higher than the CAGRs of most Listed PRC City Commercial Banks for the same period. In 2014, our net interest margin was 3.31% and our net interest spread was 3.07%, respectively, which surpassed all PRC City Commercial Banks Listed on the Hong Kong Stock Exchange. In 2014, our return on average total assets was 1.39% and our return on average equity was 23.52%, which were higher than the average rates of 1.2% and 17.6% among all PRC commercial banks, respectively, surpassing all Listed PRC City Commercial Banks. Please see "Industry Overview — Competitive Landscape".

While we focus on rapid growth in profits, we also adhere to the principles of prudent risk management and internal control in order to maintain asset quality. Our non-performing loan ratio at December 31, 2012, 2013 and 2014 and June 30, 2015 was 0.47%, 0.53%, 0.75% and 1.06%. At December 31, 2012, 2013, 2014 and June 30, 2015, our allowance to non-performing loan ratio was 425.28%, 425.54%, 301.66% and 250.40%, respectively, higher than the average ratio of all PRC commercial banks at the same dates, which was 295.5%, 282.7%, 232.1% and 198.39%, respectively. Our allowance for impairment losses on loans to customers is expected to continue to grow, reflecting the overall growth of our loan portfolio and the impact of the economic downturn.

We are committed to serving local customers. We have a broad customer base in the Zhengzhou market, which we built through long-term cultivation of local corporate and retail customers, as well as a business network that has been extensively tailored to the regional economy. Our head office is located in Zhengzhou, Henan Province, and as of June 30, 2015, we had 107 branches and sub-branches in seven cities in Henan Province. As of June 30, 2015, we had approximately 4,186 corporate loan customers and 76,265 corporate deposit customers. As of the same date, we had 51,361 personal loan customers and 3,301,257 personal deposit customers.

We have various financial business licenses and qualifications, and we are a primary member bank of the self-regulated interest rate pricing association, and a first-class dealer for the open market business. We are committed to providing comprehensive and integrated services to our customers. We have won numerous honors and awards for our performance and the high-quality products and services we have provided over many years. In the Track Record Period, these included:

Year	Ranking/Award	Event/Organizer/Media
2015	Outstanding Nation-wide Banking Institution for Providing Financial Services to Small and Micro Enterprises	CBRC
	No. 1 Among All City Commercial Banks With Assets Exceeding RMB200 Billion in 2014 On Competitiveness	The Chinese Banker Forum - Annual Report on Competitiveness of PRC Commercial Banks (2015)
	Best City Commercial Bank of 2014	The Chinese Banker Forum - Annual Report on Competitiveness of PRC Commercial Banks (2015)
2014	Best Small or Medium-sized Bank of 2014	Institute of Finance and Banking of the Chinese Academy of Social Science and Financial News — "Annual Financial Institution Gold Medal List • Golden-dragon Award"
	Best Financial Institution for Small and Micro Enterprises of 2014	Henan Daily
	Award for Outstanding Member of and Business Progress in the PRC Bond Market in 2014	China Central Depository & Clearing Co., Ltd.
2013	Most Competitive Small or Medium-sized Bank of 2013	Institute of Finance and Banking of the Chinese Academy of Social Science and Financial News — "Annual Financial Institution Gold Medal List • Golden-dragon Award"
	Third in Financial Strength Among Banks with Assets of RMB100 Billion to RMB200 Billion in 2013	The Chinese Banker
	Outstanding Institution for Providing Financial Services to Small and Micro Enterprises of 2013	CBRC Henan Office
2012	Outstanding Nation-wide Banking Institution for Providing Financial Services to Small and Micro Enterprises of 2012	CBRC
	Small or Medium-sized Bank with the Highest Potential of 2012	Institute of Finance and Banking of the Chinese Academy of Social Science and Financial News — "Annual Financial Institution Gold Medal List • Golden-dragon Award"

Our principal business lines include corporate banking, retail banking and treasury businesses. We have continued to refine our business mix. During the Track Record Period, our treasury business and retail banking business experienced significant growth. In particular, the contribution of our treasury business to our total operating income increased from 11.5% in 2012 to 39.5% for the six months ended June 30, 2015. Our loans to small and micro enterprises increased from RMB17,597 million (representing 54.0% of our total corporate loans) at December 31, 2012 to RMB33,335 million (representing 57.1% of our total corporate loans) at June 30, 2015. For risks relating to our loans to small and micro enterprises, please see "Risk Factors — Risks Relating to Our Loan Portfolio — We are exposed to risks arising from loans granted to small and micro enterprises".

The table below sets forth the contribution of each business line to our total operating income for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014 (unaudited)		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)									
Corporate banking business	2,331	65.1%	2,497	58.7%	2,801	50.9%	1,425	55.6%	1,591	41.3%
Retail banking business	536	15.0	674	15.8	1,046	19.0	478	18.7	690	17.9
Treasury business	412	11.5	1,038	24.4	1,637	29.7	652	25.5	1,522	39.5
Others[(1)]	299	8.4	48	1.1	21	0.4	6	0.2	49	1.3
Total	**3,578**	**100.0%**	**4,257**	**100.0%**	**5,505**	**100.0%**	**2,561**	**100.0%**	**3,852**	**100.0%**

(1) Consists primarily of income and expenses that are not directly attributable to any specific segment.

For details of our businesses, please see "Business — Our Principal Business" on pages 182 to 209 of this prospectus.

OUR STRENGTHS

Our principal competitive strengths include:

- We are located at the heart of the Central Plains, and have benefited from the region's rapid economic growth;
- We leverage regional advantages and focus on serving customers in the commerce and logistics industries;
- We focus on becoming a financing specialist for small and micro enterprises by deepening our local business operations;
- Our comprehensive operations have allowed us to achieve growth in both business scale and profit;
- Our prudent risk management ensures the stability of our asset quality; and
- We have excellent and competent core management team and staff team including industry specialists.

For details of our strengths, please see "Business — Our Strengths" on pages 167 to 176 of this prospectus.

OUR STRATEGIES

Our strategic goal is to become a customer-oriented, comprehensive regional boutique financial institution, with a core business of serving customers in the commerce and logistics industries and small and micro enterprise customers. To achieve this goal, we plan to:

- Strengthen our positioning as "commerce and logistics bank";
- Further enhance our competitiveness in serving small and micro enterprise customers;
- Enhance the comprehensive strength of our retail banking business;

- Further enhance our electronic banking and Internet-based finance channels to strengthen our capabilities to acquire customers across multiple regions; and
- Strengthen our comprehensive business operations to provide customers with integrated financial services.

For details of our strategies, please see "Business — Our Strategies" on pages 176 to 181 of this prospectus.

RISK FACTORS

There are risks associated with any investment. Investment in our Shares involves certain risks and uncertainties, including the following:

- 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 business and operations are primarily concentrated in Zhengzhou, and our future growth depends on the continuous economic growth of Henan Province and Zhengzhou;
- We may fail to meet capital adequacy requirements set by CBRC in the future;
- Our current risk management systems may not adequately protect us against credit, market, liquidity, operational and other risks;
- We face increasingly intense competition in China's banking industry and other investment and financing channels;
- Our business and operations are highly regulated, and we are susceptible to changes in regulations and government policies;
- Interest rate liberalization, 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; and
- Investments in commercial banks in China are subject to restrictions that may adversely affect the value of your investment.

For details of risk factors relating to the investment in our Shares, please see "Risk Factors" on pages 26 to 58 of this prospectus. You should carefully consider all of the information set forth therein before making any investment in our Shares.

REGULATORY INSPECTIONS

The PRC banking industry is highly regulated. We are subject to inspection and review by the relevant PRC regulatory authorities and their local branches, such as CBRC, PBoC, NDRC, SAFE and SAT. During the Track Record Period, inspections by the PRC regulatory authorities revealed certain deficiencies and non-compliance primarily relating to our business operations and risk management. These include, among others, inadequate internal control and risk management system, certain deficiencies in the daily operational procedures and failure to satisfy the regulatory requirements for certain regulatory indicators. For example, certain material findings from regulatory inspections include: (i) the need for us to enhance our ability to prevent and control risks relating to our wealth management products; (ii) certain non-compliance in our operation and management of credit business; (iii) our failure to meet the regulatory requirement on core liabilities ratio; (iv) the need to raise our awareness on risk prevention and develop trust investment business cautiously; (v) our concentration risk relating to our certain interbank investments; and (vi) our failure to pay certain taxes and surcharges in full and on time. For details, please see "Business — Legal and Regulations — Regulatory Inspection and Procedures" on pages 225 to 236 of this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical financial information set forth below in conjunction with our financial information included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with IFRS, and the sections entitled "Assets and

Liabilities" and "Financial Information" in this prospectus. The summary historical income statement data for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 (unaudited) and the six months ended June 30, 2015 and the summary historical statement of financial position data at December 31, 2012, 2013 and 2014 and June 30, 2015 set forth below are derived from the Accountants' Report set forth in Appendix I to this prospectus.

Summary Income Statements Data

	For the year ended December 31,			For the six months ended June 30,	
	2012	**2013**	**2014**	**2014 (unaudited)**	**2015**
	(in millions of RMB, except otherwise indicated)				
Interest income	4,774	6,812	9,602	4,376	6,107
Interest expense	(1,584)	(2,710)	(4,318)	(1,970)	(2,822)
Net interest income[(1)]	**3,190**	**4,102**	**5,284**	**2,406**	**3,285**
Fee and commission income	75	198	382	148	344
Fee and commission expense	(13)	(36)	(34)	(9)	(12)
Net fee and commission income	**62**	**162**	**348**	**139**	**332**
Net trading gains/(losses)	28	(82)	(186)	45	161
Net (losses)/gains arising from investments	(1)	27	38	(35)	25
Other operating income	299	48	21	6	49
Operating income	**3,578**	**4,257**	**5,505**	**2,561**	**3,852**
Operating expense	(1,342)	(1,386)	(1,842)	(781)	(920)
Provision for impairment losses	(328)	(400)	(497)	(238)	(672)
Operating profit	**1,908**	**2,471**	**3,166**	**1,542**	**2,260**
Share of profits of associates	15	36	37	16	24
Profit before tax	**1,923**	**2,507**	**3,203**	**1,558**	**2,284**
Income tax expense	(463)	(605)	(740)	(354)	(533)
Net profit	**1,460**	**1,902**	**2,463**	**1,204**	**1,751**
Basic and diluted earnings per Share (in RMB)	0.37	0.48	0.62	0.31	0.44

(1) For details on the daily average balance of, interest income from or interest expense on, and average yield or cost of our interest-earning assets and interest-bearing liabilities, please see "Financial Information — Results of Operations for the Six Months Ended June 30, 2014 and 2015—Net Interest Income" on page 385 and "Financial Information — Results of Operations for the Years Ended December 31, 2012, 2013 and 2014 — Net Interest Income" on page 404 of this prospectus.

For details, please see "Financial Information" on pages 373 to 444 in this prospectus.

Summary Historical Statements of Financial Position Data

	At December 31,			At June 30,
	2012	2013	2014	2015
	(in millions of RMB)			
Assets				
Cash and deposits with central bank	18,436	22,980	33,855	32,694
Deposits with banks and other financial institutions	2,084	6,196	1,835	3,245
Placements with banks and other financial institutions	—	886	—	1,862
Financial assets at fair value through profit or loss	6,705	7,990	10,967	15,167
Financial assets held under resale agreements	2,181	7,268	6,576	8,674
Loans and advances to customers	49,153	61,536	76,226	84,075
Financial investments				
Available-for-sale financial assets	2,914	596	3,965	1,968
Held-to-maturity investments	7,098	16,730	22,065	21,615
Loans and receivables	13,173	22,412	45,502	52,055
Interest in associates	83	119	146	170
Property and equipment	739	926	1,159	1,214
Deferred tax assets	167	251	338	459
Other assets(1)	1,001	1,444	1,655	2,214
Total assets	**103,734**	**149,334**	**204,289**	**225,412**
Liabilities				
Amounts due to central bank	—	175	—	—
Deposits from banks and other financial institutions	7,928	14,213	32,187	29,923
Placements from banks and other financial institutions	200	2,000	1,003	1,862
Financial assets sold under repurchase agreements	11,328	13,490	15,783	12,023
Deposits from customers	74,654	102,097	132,561	146,163
Tax payable	139	303	260	431
Debt securities issued	690	5,690	8,504	18,585
Other liabilities(2)	1,124	1,830	2,586	3,979
Total liabilities	**96,063**	**139,798**	**192,884**	**212,966**
Equity				
Share capital	3,942	3,942	3,942	3,942
Capital reserve	100	100	100	100
Surplus reserve	466	656	902	902
General reserve	1,033	1,623	2,313	2,313
Investment revaluation reserve	33	(5)	2	5
Deficit on remeasurement of net defined benefit liability	(19)	(18)	(27)	(30)
Retained earnings	2,116	3,238	4,173	5,214
Total equity	**7,671**	**9,536**	**11,405**	**12,446**
Total liabilities and equity	**103,734**	**149,334**	**204,289**	**225,412**

(1) Consists of interest receivables, prepayments, other receivables, intangible assets and leasehold improvements.

(2) Consists of interest payables, payment and collection clearance accounts, accrued staff costs, dormant accounts, dividend payable, provisions, and certain other liabilities.

For details, please see “Assets and Liabilities” on pages 318 to 372 and “Financial Information” on pages 373 to 444 in this prospectus.

Selected Financial Ratios

	For the year ended December 31,			For the six months ended June 30,	
	2012	**2013**	**2014**	**2014[1]**	**2015[1]**
Profitability indicators					
Return on average total assets[2]	1.67%	1.50%	1.39%	1.52%	1.63%
Return on average equity[3]	21.04%	22.10%	23.52%	24.46%	29.36%
Net interest spread[4]	3.99%	3.30%	3.07%	3.12%	2.95%
Net interest margin[5]	4.00%	3.50%	3.31%	3.33%	3.17%
Net fee and commission income to operating income	1.74%	3.81%	6.32%	5.41%	8.63%
Cost-to-income ratio[6]	32.89%	27.06%	27.72%	24.54%	18.43%

(1) On an annualized basis.

(2) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.

(3) Calculated by dividing net profit for the period by average balance of total shareholders’ equity at the beginning and the end of the period.

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

(5) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

(6) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income. The decrease in our cost-to-income ratio for the six months ended June 30, 2015 as compared to the same period in 2014 was primarily due to (i) a 50.4% increase in our operating income, resulting primarily from our increased holding of investment products managed by securities companies and investment products under trust schemes and the overall growth in our lending business, and (ii) an increase in our operating expenses at a lower rate than our operating income, reflecting our enhanced cost management.

The following table sets forth, at the dates indicated, information relating to our certain regulatory indicators, calculated in accordance with the requirements of the PRC banking regulatory authorities and applicable accounting standards.

	Regulatory requirement	At December 31,			At June 30,
		2012	2013	2014	2015
Capital adequacy indicators					
Calculated based on Capital Adequacy Measures[(1)]					
Core capital adequacy ratio[(2)]	≥4%	12.79%	N/A	N/A	N/A
Capital adequacy ratio[(3)]	≥8%	15.26%	N/A	N/A	N/A
Calculated based on Capital Administrative Measures[(4)]					
Core tier-one capital adequacy ratio[(5)]	≥5.9%	N/A	10.28%	8.66%	8.55%
Tier-one capital adequacy ratio[(6)]	≥6.9%	N/A	10.28%	8.66%	8.55%
Capital adequacy ratio[(7)]	≥8.9%	N/A	12.08%	11.12%	10.92%
Total equity to total assets	N/A	7.40%	6.39%	5.58%	5.52%
Asset quality indicators					
Non-performing loan ratio[(8)]	≤5%	0.47%	0.53%	0.75%	1.06%
Allowance to non-performing loans[(9)]	≥150%	425.28%	425.54%	301.66%	250.40%
Allowance to total loans[(10)]	≥2.5%[(11)]	2.01%	2.24%	2.26%	2.66%
Other indicator					
Loan-to-deposit ratio	N/A[(12)]	67.19%	61.65%	58.83%	59.09%

(1) Effective January 1, 2013, the Capital Adequacy Measures is replaced by the Capital Administrative Measures and is no longer effective.

(2) Calculated by dividing (i) core capital, net of core capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk. For the components of our core capital as calculated based on the Capital Adequacy Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(3) Calculated by dividing (i) total capital, net of capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk. For the components of our total capital as calculated based on the Capital Adequacy Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(4) CBRC published the Capital Administrative Measures on June 7, 2012, which became effective on January 1, 2013 and replaced the Capital Adequacy Measures.

(5) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets. For the components of our core tier-one capital as calculated by the Capital Administrative Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(6) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets. For the components of our tier-one capital as calculated by the Capital Administrative Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(7) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets. For the components of our total capital as calculated by the Capital Administrative Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(8) Calculated by dividing total non-performing loans by total loans to customers. Although our loan classification criteria are in compliance with the guidelines set forth by CBRC, certain of our loan classification criteria may not be the same as those adopted by other PRC commercial banks. For details on our loan classification criteria, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Loan Classification Criteria" on pages 334 to 340 of this prospectus. For distribution of our loans to customers by loan classification, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Distribution of Loans by Loan Classification" on pages 340 to 342 of this prospectus. For details on the changes in our non-performing loans, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Changes in Asset Quality of Our Loans" on pages 342 to 344 of this prospectus.

(9) Calculated by dividing allowance for impairment losses on loans to customers by total non-performing loans.

(10) Calculated by dividing allowance for impairment losses on loans to customers by total loans to customers.

(11) Pursuant to the Administrative Measures for Loan Loss Allowance of Commercial Banks, we are required to meet the 2.5% requirement by the end of 2016.

(12) Historically, PRC commercial banks were required to maintain a loan-to-deposit ratio of no higher than 75%. Effective October 1, 2015, loan-to-deposit ratio ceased to be a regulatory indicator for PRC commercial banks.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 1,200,000,000 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option for the Global Offering is not exercised, and (iii) 5,141,931,900 Shares are issued and outstanding immediately following the completion of the Global Offering.

	Based on offer price of HK$3.85	**Based on offer price of HK$4.21**
Market capitalization of our Shares	HK$19,796,437,815	HK$21,647,533,299
Unaudited pro forma adjusted net tangible assets per Share[1]	HK$3.79	HK$3.87

(1) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Statement of Adjusted Net Tangible Assets".

THE GLOBAL OFFERING

The Global Offering comprises:

(i) the Hong Kong Public Offering of 132,000,000 Offer Shares (subject to adjustment) in Hong Kong as described in "Structure of the Global Offering — The Hong Kong Public Offering"; and

(ii) the International Offering of 1,188,000,000 Offer Shares (subject to adjustment and the Over-allotment Option) to qualified institutional buyers (as defined in Rule 144A) in the United States pursuant to the exemption from the registration requirements of the U.S. Securities Act and to be offered outside the United States (including professional and institutional investors in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for H Shares under the Hong Kong Public Offering or apply for or indicate an interest for H Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

RESTRICTIONS ON SHARE PLEDGE

In November 2013, 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 association:

(i) where a shareholder, who has a seat on the board of directors or the board of supervisors, 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, he shall make a filing to the board of directors of the bank prior to the pledge and, upon the registration of pledge of equity interests, he shall provide the bank with the relevant information in relation to the pledge of equity interests in a timely manner; and

(ii) where a shareholder pledges 50% or more of his equity interests in the bank, the voting rights of such shareholder at the shareholders' general meetings, as well as the voting rights of the director(s) designated by such shareholder at board meetings, shall be subject to restrictions.

To comply with the Notice, we amended our Articles of Association to include the aforementioned requirements, including the filing and reporting requirements in relation to and the voting restrictions on our Shareholders who pledge their Shares. Our Articles of Association was approved by CBRC Henan Office and became effective in September 2014. Our Shareholders, including H Shareholders, shall comply with the amended Articles of Association. For details of the restrictions on our Shareholders who pledge their shares, please see "Supervision and Regulation — Ownership and Shareholder Restrictions — Restrictions on Shareholders".

DIVIDEND POLICY

We declared and distributed cash dividends of RMB591 million and RMB710 million in respect of the financial years of 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.

Pursuant to the approval of our Shareholders' general meeting, our existing and new Shareholders are entitled to the accumulated retained earnings prior to the Global Offering. Pursuant to the PRC Company Law and our Articles of Association, all Shareholders have equal rights to dividend distribution.

Our Board of Directors is responsible for submitting proposals (adopted by two-thirds majority) in respect of dividend payments, if any, to our Shareholders' general meetings for approval. The determination of whether to pay dividends and the amount of such dividends 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 of Directors considers relevant. Subject to our Articles of Association and the regulatory requirements relating to dividend distributions, our Board of Directors will propose profit distribution plans to our Shareholders' general meetings to distribute annual cash dividends in an aggregate amount of approximately 30% of the distributable profit realized for the year.

Pursuant to our Articles of Association, we shall distribute dividends from our distributable profits in accordance with the PRC GAAP or IFRS (or the accounting standards of the place where our Shares are listed), whichever is lower.

INFORMATION ON SUBSTANTIAL SHAREHOLDER

As of the Latest Practicable Date, Zhengzhou Finance Bureau is a substantial Shareholder of us which, directly or indirectly, holds approximately 19.37% of our total issued Shares. Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, Zhengzhou Finance Bureau will, directly or indirectly, hold 13.66% of our total issued Shares (or approximately 13.02% assuming the Over-allotment Option is exercised in full). Please see "Substantial Shareholders" on pages 303 to 313 in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

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 will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders pursuant to the Global Offering. For details of the planned use of proceeds from the Global Offering, please see "Future Plans and Use of Proceeds" on page 445 in this prospectus.

RECENT DEVELOPMENTS

Since June 30, 2015, we have opened a new sub-branch in Xinxiang and two branches in Luohe and Xinyang, obtained regulatory approval to open five new sub-branches in Zhengzhou, Xingyang and three other cities in Henan Province. We have also obtained regulatory approval to prepare for the opening of four new sub-branches in Zhengzhou and three other cities in Henan Province. In July 2015, we obtained the qualification to issue large-amount certificates of deposit.

In July 2015, we entered into an agreement with two independent parties to form a financial leasing company upon regulatory approval. The financial leasing company will have a registered capital of RMB1.0 billion, of which we will contribute RMB510 million, representing a shareholding of 51%. We are in the process of preparing an application to the regulatory authorities. We believe that the formation of the financial leasing company will help us grow into a full-service financial institution by providing integrated financial services to our customers.

Effective August 26, 2015, PBoC lowered the benchmark interest rates on Renminbi-denominated loans by and deposits with financial institutions, where the benchmark interest rate on loans with a tenor of one year was lowered by 0.25 percentage points to 4.6% and the benchmark interest rate on deposits with a tenor of one year was lowered by 0.25 percentage points to 1.75%. Effective 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. Effective October 24, 2015, PBoC lowered the benchmark interest rates on Renminbi-denominated loans by and deposits with financial institutions, where the benchmark interest rate on loans with a tenor of one year was lowered by 0.25 percentage points to 4.35% and the benchmark interest rate on deposits with a tenor of one year was lowered by 0.25 percentage points to 1.5%. Effective the same date, PBoC removed the cap on interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on commercial considerations. The above changes in benchmark interest rates and interest rate liberalization may decrease our net interest spread and net interest margin, and thus adversely impact our net interest income. For details on the impact of the changes in the benchmark interest rates and the interest rate liberalization on our results of operations and financial condition, please see "Risk Factors — Risks Relating to the PRC Banking Industry — Interest rate liberalization, 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" and "Financial Information — General Factors that Affect Our Results of Operations — Interest Rates". For details on the changes in the benchmark interest rates and the interest rate liberalization, please see "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits" on pages 116 to 118 of this prospectus. We seek to address the adjustments in PBoC benchmark interest rates on loans and deposits by resetting the interest rates for our products, adjusting the pricing for internal fund transfers, developing new products and promoting our asset-backed securities business. Please see "Risk Management — Market Risk Management — Market Risk Management for Our Banking Book — Interest Rate Risk Management" on page 264 of this prospectus.

On August 11, 2015, PBoC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations 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 exchange as well as changes in major international currency exchange rates. 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. Substantially all of our assets and liabilities are denominated in RMB. We believe such changes in the foreign exchange regime and depreciation of RMB against the U.S. dollar will not have a material impact on our results of operations and financial condition. Please see "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".

Based on our unaudited financial information at and for the nine months ended September 30, 2015, our net interest income increased by 37.7% to RMB5,180 million for the nine months ended September 30, 2015 as compared to RMB3,763 million for the same period in 2014.

In addition, our total assets increased by 7.4% to RMB242,083 million at September 30, 2015 from RMB225,412 million at June 30, 2015. In particular, our gross loans to customers increased by 4.5% to RMB90,286 million at September 30, 2015 from RMB86,369 million at June 30, 2015. Our total deposits from customers increased by 7.3% to RMB156,779 million at September 30, 2015 from RMB146,163 million at June 30, 2015.

The financial information disclosed above is derived from our interim financial statements at and for the nine months ended September 30, 2015, which have been reviewed by our Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

At September 30, 2015, our non-performing loan ratio remained stable at 1.06%, the same as that at June 30, 2015.

Our Directors have confirmed that, since June 30, 2015 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position.

LISTING EXPENSES

We incur listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees. Listing expenses to be borne by us are estimated to be approximately RMB111 million. Listing expenses of RMB8 million had been incurred as of June 30, 2015. Listing expenses of approximately RMB103 million are expected to be incurred after June 30, 2015, of which RMB13 million is expected to be charged to our statement of profit or loss and other comprehensive income and RMB90 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such expenses to have a material adverse impact on our results of operations for the year ending December 31, 2015.

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 form(s) 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 the Bank, the version of which was passed by our Shareholders at the annual shareholders' meeting on June 18, 2015 and was approved by CBRC Henan Office on September 14, 2015, which will become effective upon the Listing, as the same may be amended, supplemented or otherwise modified from time to time
"ATM"	automated teller machine
"Bank", "we" or "us"	Bank of Zhengzhou Co., Ltd. (鄭州銀行股份有限公司), a joint stock company incorporated on November 16, 1996 in Henan Province, China with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, branches and sub-branches
"Banking Ordinance"	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Board" or "Board of Directors"	the board of Directors of our Bank, as described in Appendix V — "Summary of Articles of Association" to this prospectus
"Basel III"	the revised Basel Capital Accord promulgated in December 2010
"building ownership certificates"	building ownership certificates in the PRC (中華人民共和國房屋所有權證)
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"Capital Adequacy Measures"	the Measures on the Administration of Capital Adequacy Ratios of Commercial Banks (《商業銀行資本充足率管理辦法》) promulgated by CBRC on February 23, 2004, effective as of March 1, 2004 and amended on July 3, 2007, which was later replaced by the Capital Administrative Measures on January 1, 2013

"Capital Administrative Measures"	the Administrative Measures for the Capital of Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》) promulgated by CBRC on June 7, 2012 and effective on January 1, 2013
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBRC Henan Office"	China Banking Regulatory Commission Henan Office (中國銀行業監督管理委員會河南監管局)
"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
"Central Plains Economic Zone" or "Central Plains"	an economic region in Central China, comprising the whole of Henan and part of Shandong, Anhui, Hebei and Shanxi provinces
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only, excluding Hong Kong, Macau and Taiwan
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"city commercial banks"	banks with branches at municipal or higher levels created with the approval of CBRC and other regulatory authorities from predecessor urban credit cooperatives pursuant to the PRC Company Law and the PRC Commercial Banking Law
"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 and urban credit cooperatives, rural cooperative financial institutions, foreign banks and other banking institutions

"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as 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 amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Core Indicators (Provisional)"	the Core Indicators for the Risk Management of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》), as promulgated by CBRC on December 31, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"Corporate Governance Guidelines"	the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), as promulgated by CBRC on July 19, 2013 and effective on the same date, as amended, supplemented or otherwise modified from time to time
"CSRC"	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 full for in RMB
"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"	overseas-listed Shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange
"HK$" or "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKIAC"	Hong Kong International Arbitration Center
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	H Shares (subject to adjustment) offered pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms. For further information, please see "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering set out in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 10, 2015 entered into by among others, the Hong Kong Underwriters and us relating to the Hong Kong Public Offering. For further information, please see "Underwriting — Hong Kong Underwriting Agreement"
"IFRS"	International Financial Reporting Standards and International Accounting Standards ("IAS"), which include the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")

"independent third party(ies)"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Bank within the meaning of the Listing Rules
"International Offer Shares"	H Shares offered pursuant to the International Offering together, where relevant, with any H Shares that may be issued or sold pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in "Structure of the Global Offering"
"International Offering"	the conditional placement by the International Purchasers of the International Offer Shares. For further information, please see "Structure of the Global Offering"
"International Purchasers"	the group of purchasers who are expected to enter into the International Purchase Agreement to underwrite the International Offering
"International Purchase Agreement"	the purchase agreement relating to the International Offering, which is expected to be entered into among our Bank, the Selling Shareholders, the Joint Global Coordinators and the International Purchasers. For further information, please see "Structure of the Global Offering — The International Offering"
"Joint Bookrunners"	CLSA Limited, BOCOM International Securities Limited, CCB International Capital Limited, Orient Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, ICBC International Capital Limited, Pan Asia Corporate Finance Limited and ABCI Capital Limited
"Joint Global Coordinators"	CLSA Limited, BOCOM International Securities Limited, CCB International Capital Limited and Orient Securities (Hong Kong) Limited
"Joint Lead Managers"	CLSA Limited, BOCOM International Securities Limited, CCB International Capital Limited, Orient Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, ICBC International Securities Limited, Pan Asia Corporate Finance Limited, ABCI Securities Company Limited and Get Nice Securities Limited

"Joint Sponsors"	CITIC CLSA Capital Markets Limited and BOCOM International (Asia) Limited
"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, collectively
"Latest Practicable Date"	December 1, 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listed PRC City Commercial Banks"	Bank of Beijing Co., Ltd., Bank of Nanjing Co., Ltd., Bank of Ningbo Co., Ltd., and "PRC City Commercial Banks Listed on the Hong Kong Stock Exchange" as defined herein
"Listing"	the listing of our H Shares on the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about December 23, 2015, on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Mandatory Provisions"	the Mandatory Provisions for Inclusion in the Articles of Association of Companies Incorporated in the PRC to be Listed Overseas (《到境外上市公司章程必備條款》), which were promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on August 27, 1994, effective on the same date, as amended, supplemented or otherwise modified from time to time
"medium-sized enterprises"	enterprises classified as medium-sized enterprises under the Classification Standards of Small and Medium-sized Enterprises (《中小企業劃型標準規定》)
"micro enterprises"	the enterprises classified as micro enterprises under the Classification Standards of Small and Medium-sized Enterprises
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	National Audit Office of the PRC (中華人民共和國審計署)

"Nationwide Joint-stock Commercial Banks"	China CITIC Bank Corporation Limited, China Everbright Bank Co., Ltd., Huaxia Bank Co., Limited, China Guangfa Bank Co., Ltd., Ping An Bank Co., Ltd. (formerly named as Shenzhen Development Bank Co., Ltd.), China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Industrial Bank Co., Ltd., China Minsheng Bank Corp., Ltd., Evergrowing Bank Co., Ltd., Zheshang Bank Co., Ltd. and China Bohai Bank Co., Ltd., collectively
"NBS"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	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)
"non-performing loans" or "NPL"	for the purpose of this prospectus, is used synonymously with "impaired loans" in Note 2(4)(ii) to the Accountants' Report in Appendix I to this prospectus
"non-performing loan ratio" or "NPL ratio"	the percentage ratio calculated by dividing non-performing loans by total loans
"non-standard credit assets"	credit assets that are not traded on the interbank markets or stock exchanges under which credit facilities are extended to financing parties, including trust plans and asset management plans that we invest in
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	National Council for Social Security Fund of the PRC (全國社會保險基金理事會)
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the H Shares are to be subscribed for pursuant to the Global Offering. For further information, please see "Structure of the Global Offering — Pricing and Allocation"
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, any additional H Shares to be issued or sold pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by our Bank and the Selling Shareholders to the International Purchasers and the Joint Global Coordinators exercisable by the Joint Global Coordinators on behalf of the International Purchasers pursuant to the International Purchase Agreement, to be exercisable at any time from the day on which trading of the H Shares commences on the Hong Kong Stock Exchange until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Bank to allot and issue and the Selling Shareholders to sell up to an aggregate of 198,000,000 additional H Shares (representing approximately 15% of the initial Offer Shares), at the Offer Price under the International Offering, to, among other things, cover over-allocations in the International Offering, as further discussed in "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, promulgated by the 6th session of the Standing Committee of the 10th National People's Congress on December 27, 2003 which became effective on February 1, 2004, as amended, supplemented or otherwise modified from time to time
"PRC City Commercial Banks Listed on the Hong Kong Stock Exchange"	Bank of Chongqing Co., Ltd., Huishang Bank Corporation Limited, Harbin Bank Co., Ltd., Shengjing Bank Co., Ltd., Bank of Qingdao Co., Ltd. and Bank of Jinzhou Co., Ltd.
"PRC Commercial Banking Law"	the Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》), which was promulgated by the 13th session of the Standing Committee of the 8th National People's Congress on May 10, 1995 and became effective on July 1, 1995, as 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 session of the Standing Committee of the 8th National People's Congress on December 29, 1993 and became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time

"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (《企業會計準則》) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"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》), which was promulgated by the 3rd session of the Standing Committee of the 8th National People's Congress on March 18, 1995 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"Price Determination Date"	the date, expected to be on or around December 16, 2015 but no later than December 21, 2015 on which the Offer Price is fixed for the purpose of the Global Offering
"Promoters"	the promoters that established our Bank on November 16, 1996. At the time of our establishment, our Promoters comprised shareholders of 47 urban credit cooperatives and the sales department of one joint urban credit cooperative, the Zhengzhou Finance Bureau and 14 corporate investors
"QIBs"	qualified institutional buyers as defined in Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"related party" or "related parties"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》) promulgated by CBRC
"related party transaction(s)"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by CBRC
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	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 and, where relevant, any additional H Shares which may be sold by the Selling Shareholders pursuant to the exercise of the Over-allotment Option. See "Share Capital — Transfer and Sale of State-owned Shares". The Selling Shareholders will convert an equal number of Domestic Shares held by them to be offered for sale as the Sale Shares, subject to any adjustments as provided in "Structure of the Global Offering". References to "Sale Shares" include, where the context requires, the Domestic Shares from which the Sale Shares are converted
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	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 disposal of state-owned shares, as further described in "Information about this Prospectus and the Global Offering — Selling Shareholders" of this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shares"	our ordinary shares in the share capital with a nominal value of RMB1.00 each
"Shareholder(s)"	the holder(s) of the Shares of our Bank
"SHIBOR"	Shanghai Interbank Offered Rate
"Six Provinces in Central China"	Henan Province, Shanxi Province, Anhui Province, Jiangxi Province, Hubei Province and Hunan Province
"small enterprises"	enterprises classified as small enterprises under the Classification Standards of Small and Medium-sized Enterprises
"small and micro enterprises"	"small enterprises" and "micro enterprises" as defined herein before

"SME"	enterprises classified as micro enterprises, small enterprises and medium-sized enterprises under the Classification Standards of Small and Medium-sized Enterprises
"Special Regulations"	the Special Regulations on the Overseas Offering and the 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"	BOCOM International Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)" or "Board of Supervisors"	the supervisor(s) or the board of supervisors of our Bank, respectively
"Three National Strategic Plans Relating to Henan"	the plans aiming to develop the Central Plains Economic Zone (中原經濟區), the National Core Producing Area of Grains (國家糧食生產核心區), and the Zhengzhou Airport Economic Experimental Zone (鄭州航空港經濟綜合實驗區)
"Track Record Period"	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
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"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

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.

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.

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.

Unless otherwise indicated, the term “GDP” in this prospectus refers to nominal GDP.

Unless the context otherwise requires, the terms including “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)” and “substantial shareholder(s)” shall have the meanings ascribed to them under the Listing Rules.

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of, assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "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 or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our 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. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects, including our development plans for our existing and new products, business and distribution network;
- our business development strategies and initiatives to implement these strategies;
- general economic, market and business conditions in Zhengzhou, Henan Province or the PRC and any changes thereto;
- our existing risk management system and our ability to improve such system;
- our dividend policy;
- our financial condition, results of operations and performance;
- the amount and nature of, potential for and future development of our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- the products, actions and developments of our competitors;
- general political and economic conditions; and
- capital market developments.

Subject to the requirements of applicable laws, rules and regulations, 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. As a result of these and other risks, uncertainties and assumptions, 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. The forward-looking statements in this prospectus are qualified by reference to the cautionary statements set out in this section.

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, financial condition, results of operations 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 system which in some respects may differ from those prevailing in other jurisdictions. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, please see "Supervision and Regulation", Appendix IV — "Summary of Principal Legal and Regulatory Provisions" and Appendix V — "Summary of the Articles of Association" to this prospectus.

RISKS RELATING TO OUR LOAN PORTFOLIO

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 to customers (before allowance for impairment losses) amounted to RMB50,161 million, RMB62,944 million, RMB77,986 million and RMB86,369 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. At the same dates, our non-performing loans amounted to RMB237 million, RMB331 million, RMB583 million and RMB916 million, respectively, and our non-performing loan ratio was 0.47%, 0.53%, 0.75% and 1.06%, respectively. The increase in both the balance of non-performing loans and non-performing loan ratio during the Track Record Period were attributed to a number of factors, including the general slowdown of the PRC economy in recent years, which had negatively affected the liquidity of our borrowers, especially small and micro enterprises. Specifically, our corporate loans to the wholesale and retail industries and the manufacturing industry accounted for 60.3%, 64.9%, 57.6% and 57.8%, respectively, of our total corporate loans at December 31, 2012, 2013, 2014 and June 30, 2015. Our non-performing loans to corporate borrowers in the manufacturing industry increased from RMB104 million at December 31, 2012 to RMB286 million at December 31, 2013, and further increased to RMB321 million at December 31, 2014 and RMB385 million at June 30, 2015. Our non-performing loans to corporate borrowers in the wholesale and retail industry increased significantly from nil at December 31, 2012 and RMB11 million at December 31, 2013 to RMB216 million and RMB279 million at December 31, 2014 and June 30, 2015, respectively. For details on the asset quality of our loan portfolio, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio". We cannot assure you that our non-performing loans and non-performing loan ratio will not continue to increase in the future.

As the growth of the PRC economy continues to slowdown, the occurrence of other adverse macroeconomic developments and trends in China and other parts of the world and any outbreak of natural disasters may result in the deterioration of our borrowers' credit status and further cause significant deterioration in the overall quality of our loan portfolio, and we may not be able to realize the value of our collateral or guarantees securing such loans. Please see "— The collateral or guarantees securing our loans to customers may not be sufficient or fully realizable". Any significant deterioration in our asset quality and a significant increase in our non-performing loans may lead to a significant increase in allowance for impairment losses and loans written off, which may materially and adversely affect our business, financial condition, profitability and results of operations.

Our allowance for impairment losses on loans may not be sufficient to cover the actual losses on our loan portfolio in the future.

At December 31, 2012, 2013, 2014 and June 30, 2015, the balance of our non-performing loans was RMB237 million, RMB331 million, RMB583 million and RMB916 million, respectively, our allowance for impairment losses on loans to customers was RMB1,008 million, RMB1,408 million, RMB1,760 million and RMB2,294 million, respectively, and the ratio of our allowance for impairment losses to total non-performing loans was 425.28%, 425.54%, 301.66% and 250.40%, respectively. The provisions for impairment losses on loans to customers amounted to RMB320 million, RMB400 million, RMB408 million and RMB603 million in 2012, 2013, 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 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. In addition, our allowance for impairment losses may continue to increase as a result of future regulatory and accounting policy changes, deviations in loan classification, or our conservative strategy. Any of the above factors may significantly reduce our profit and materially and adversely affect our business, prospects, financial condition and results of operations.

The collateral or guarantees securing our loans to customers may not be sufficient or fully realizable.

At June 30, 2015, 31.4%, 26.1% and 41.4% of our loans to customers were secured by mortgages, pledges and guarantees, respectively. The collateral securing our loans to customers consist primarily of land use right, buildings and houses, machinery and equipment, equity securities, certificates of deposit and other assets. The value of the collateral securing our loans may fluctuate and decline due to various factors beyond our control, including macroeconomic factors affecting China. In addition, we cannot assure you that our assessment of the value of our collateral will be accurate at all times. If our collateral is proved to be insufficient to cover the related loans, we may have to obtain additional collateral from the borrowers and there is no assurance that we would be able to do so. Declines in the value of our collateral or our inability to obtain additional collateral 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 may be time-consuming, the value of collateral may not be fully realized, and it may be difficult to enforce claims in respect of such collateral. In addition, under certain circumstances, rights and claims of other persons may be senior or prior to our rights to the collateral securing our loans. All of the foregoing factors could adversely affect our ability to realize the value of the collateral securing our loans in a timely manner or at all.

The guarantees under our guaranteed loans are generally not secured by collateral 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 their guarantee obligations and, therefore, expose us to additional risks. Furthermore, 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 guarantors fail to fully perform their guarantee obligations on a timely basis, our business, financial condition and results of operations may be materially and adversely affected.

At June 30, 2015, unsecured loans accounted for 1.1% of our loans to customers. We granted such unsecured loans mainly based on our credit assessment on such customers. We cannot assure you that our credit assessments on such customers are or will be accurate at all times, or that such customers will repay their loans in full and on time. As we only have general claims 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 face concentration risks from our credit exposure to certain industries and borrowers.

At December 31, 2012, 2013 and 2014 and June 30, 2015, corporate loans accounted for 65.0%, 69.0%, 66.3% and 67.6%, respectively, of our total loans to customers. At June 30, 2015, loans to the wholesale and retail industry and the manufacturing industry accounted for 34.2% and 23.6% of our corporate loans, respectively. At June 30, 2015, non-performing loans to the wholesale and retail industry and the manufacturing industry accounted for 31.7% and 43.8% of total non-performing corporate loans, respectively. 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 could undermine the quality of our existing loans and our ability to grant new loans, which in turn could materially and adversely affect our business, financial condition and results of operations. In addition, as most enterprises in the wholesale and retail industry and manufacturing industry are SMEs, they may be more vulnerable to the impact from macroeconomic downturn when compared with other industries.

At June 30, 2015, loans to our ten largest single borrowers totaled RMB4,616 million, representing 29.62% of our regulatory capital, and our credit exposure to our ten largest group customers totaled RMB6,631 million, accounting for 42.55% of our regulatory capital. If the quality of any of these loans deteriorates or becomes non-performing, our asset quality could deteriorate significantly and our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to risks arising from loans granted to small and micro enterprises.

We are exposed to credit risks arising from loans granted to small and micro enterprises. At December 31, 2012, 2013 and 2014 and June 30, 2015, our loans to small and micro enterprises represented 54.0%, 51.8%, 57.2% and 57.1%, respectively, of our total corporate loans. Small and micro enterprises are more vulnerable to macroeconomic fluctuations and the development of their respective industries due to their smaller size, as they may lack the financial, management or other resources necessary to sustain the adverse impact brought by economic downturn or changes in the regulatory environment compared to larger enterprises. Recently, China has been facing the structural economic adjustments, which led to the slowdown of economic growth and further resulted in operational difficulties of small and micro enterprises, and, as a result, our non-performing loan ratio of small and micro enterprise has increased. At December 31, 2012, 2013 and 2014 and June 30, 2015, our non-performing loan ratio of loans granted to small and micro enterprises was 0.76%, 0.81%, 0.46% and 1.15%, respectively. Our non-performing loans may further increase due to the effects on our small and micro enterprise customers caused by the economic downturn or unfavorable changes in the regulatory environment, which may materially and adversely affect our business, financial condition and results of operations.

Any significant or protracted downturn in, or change in national policies affecting, the real estate market in the PRC may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to real estate market-related risks, especially due to our corporate loans to the real estate industry, and our personal residential mortgage loans and other loans secured by real estate. The purchase price of commercial residential properties in Zhengzhou has been rising since 2008. We extend loans to high quality local real estate projects with caution while we rigorously implement the onboarding criteria for real estate projects. At December 31, 2012, 2013 and 2014 and June 30, 2015, our corporate loans to the real estate industry amounted to RMB2,663 million, RMB2,130 million, RMB4,697 million and RMB6,556 million, respectively, representing 8.2%, 4.9%, 9.1% and 11.2%, respectively, of our total corporate loans at the same dates. At December 31, 2012, 2013 and 2014 and June 30, 2015, our personal residential mortgage loans amounted to RMB3,153 million, RMB3,583 million, RMB6,047 million and RMB6,153 million, respectively, representing 31.0%, 23.6%, 28.3% and 26.6%, respectively, of our total personal loans at the same dates. The PRC government has imposed and may continue to implement macroeconomic policies to regulate the real estate market. Please see "Supervision and Regulation — Regulation on Principal Commercial Banking Activities — Lending" for further details on these measures. These measures may slow down the growth of our loans to, and negatively affect the financial condition, liquidity and repayment capabilities of, our customers in the real estate industry. For example, our loans to corporate borrowers in the real estate industry decreased from RMB2,663 million at December 31, 2012 to RMB2,130 million at December 31, 2013. These measures may also affect the demand for residential mortgage loans in the PRC. In addition, any significant decline in property prices in the PRC may have a material adverse effect on the asset quality of our corporate loans to customers in the real estate sector and our personal residential mortgage loans. For example, our residential mortgage loans decreased, as a percentage of our total personal loans, from 31.0% at December 31, 2012 to 23.6% at December 31, 2013. If the real estate market in the PRC experiences a significant downturn, the value of the collateral securing our loans may decrease, which could result in a decrease in the amount we could recover on any defaulting loans secured by real estate properties. We have taken measures to control our risk exposure to the real estate sector. Please see "Risk Management — Credit Risk Management — Credit Risk Management for Corporate Loans — Portfolio Management and Credit Guidelines — Credit Risk Management for Loans to Real Estate Developers" for details on these measures. We cannot assure you that any measures we take will be effective or sufficient to protect us against the effects of any downturn in the PRC real estate market. As a result, any significant or protracted downturn in, or change in national policies affecting, the real estate market in the PRC may have a material adverse effect on our prospects, asset quality, business, financial condition and results of operations.

We extend loans to local government financing vehicles, and deterioration in their repayment abilities or the issuance of policies that affect local government financing vehicles may have a material adverse effect on our asset quality, financial condition and results of operations.

We provide loans to local government financing vehicles. Local government financing vehicles refer to economic entities with independent legal capacity established by local governments through financial allocation or asset injection, primarily responsible for financing government-sponsored projects. Our local government financing vehicles borrowers typically use the loan proceeds to make investments in infrastructure or industrial zone construction or development of public interest projects, and repay us with operating cash flows generated from such projects. At December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our loans to local government financing vehicles amounted to RMB801 million, RMB801 million, RMB792 million, and RMB496 million, representing 2.5%, 1.8%, 1.5% and 0.8% of our total corporate loans. All of these loans were secured by collateral or guarantees.

Since 2010, the State Council, CBRC and PBoC, along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory measures that guide PRC banks and other financial institutions to strengthen their risk management measures regarding loans to local government financing vehicles. Please see "Supervision and Regulation — Regulation on Principal Commercial Banking Activities — Loans". We have adopted measures both on our own initiative and in response to these regulatory directives to control our risk exposure to local government financing vehicles, including implementing credit exposure limits on our loans to local government financing vehicles, strengthening credit extension and monitoring procedures and risk alerts systems. For details of such measures, please see "Risk Management — Credit Risk Management". However, we cannot assure you that any measures we take will be effective or sufficient to protect us against any default by local government financing vehicles. Downturns in the macroeconomic environment, unfavorable changes in governmental policies, deterioration in the financial condition of local governments and other external factors may undermine the repayment abilities of local government financing vehicles, which may in turn materially and adversely affect our asset quality, financial condition and results of operations. There is no assurance that the financial conditions of these local government financing vehicles will not deteriorate.

If the proportion of our short-term loans remains high, the stability of our interest income may be adversely affected.

The portion of our short-term loans in our total outstanding loan balance remained relatively high. At December 31, 2012, 2013 and 2014 and June 30, 2015, the percentage of short-term corporate loans to our total corporate loans to customers was 88.0%, 91.1%, 78.4% and 75.8%, respectively. During the Track Record Period, short-term loans constituted a large portion of our total loans and had been our stable source of interest income. Nonetheless, we cannot assure you that we will continue to have this stable source of interest income, in particular, when there is greater competition or funds of lower interest rates are available to customers. Our higher portion of short-term loans may have an adverse effect on the stability of our interest income.

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

Our loans to customers (net of the related allowances for impairment losses) have grown by 71.0% from RMB49,153 million at December 31, 2012 to RMB84,075 million at June 30, 2015. The growth in our loan portfolio during the period was primarily attributable to our efforts to expand corporate and retail banking business. Growth of our loan portfolio is also influenced by the PRC economy as well as other macroeconomic factors, such as growth in GDP, the rate of inflation, changes in interest rate and changes in laws, rules or regulations governing banking and finance industries. Therefore, we cannot assure you that we will be able to maintain the growth of our loan portfolio.

RISKS RELATING TO OUR BUSINESS

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

Our operating income was RMB3,578 million, RMB4,257 million, RMB5,505 million and RMB3,852 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. However, we may not be able to successfully maintain our growth if we fail to offer new products or provide new services 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. Our growth is closely related to the PRC economy as well as other macroeconomic factors affecting the PRC (and Henan Province in particular), such as GDP growth, the inflation rate and changes in laws and regulations regulating the banking and financial industry. 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. Please see "— We cannot guarantee the long term stability of our key personnel and 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. Please see "— We may fail to meet capital adequacy requirements set by CBRC in the future". Any occurrences of the above factors may materially and adversely affect our business, financial condition and results of operations.

Our business and operations are primarily concentrated in Zhengzhou, and our future growth depends on the continuous economic growth of Henan Province and Zhengzhou.

Our business and operations are primarily concentrated in Zhengzhou. At June 30, 2015, 88.1% of our loans and 90.2% of our deposits were originated from our outlets in Zhengzhou. Most of our businesses and operations will remain in Henan Province for the foreseeable future. Therefore, our continued growth depends to a large extent on the continued growth of the Zhengzhou and Henan economy, and we are exposed to risks arising from concentration of credit in Zhengzhou and Henan Province in terms of distribution of customers and geographical coverage. The GDP growth in the PRC and Henan Province has experienced slowdowns in recent years. Any adverse change in the economic development of or any significant natural disaster or catastrophic event occurring in Zhengzhou or Henan Province may materially and adversely affect our business, financial condition and results of operations.

We benefit from favorable policies adopted by the national and local governments to promote the economic development of Henan Province and Zhengzhou, such as the "Three National Strategic Plans Relating to Henan", which are the plans aiming to develop the Central Plains Economic Zone (中原經濟區), the National Core Producing Area of Grains (國家糧食生產核心區), and the Zhengzhou Airport Economic Experimental Zone (鄭州航空港經濟綜合實驗區). We believe these policies have been instrumental in the economic growth of Henan Province and Zhengzhou, and expect our business to continue to benefit from these favorable government policies and initiatives and the business opportunities presented in connection with local economic growth. However, we cannot guarantee that the PRC government will maintain its favorable policies in promoting the development of Henan Province and Zhengzhou. Any discontinuation or unfavorable change in such policies may materially and adversely affect our business, financial condition and results of operations.

We need government approvals to expand our business beyond home regions and we cannot guarantee that we will obtain approvals successfully. Even if we obtain the approval to set up branches and sub-branches beyond home regions, there is no assurance that we can successfully compete with local banks or other financial institutions in these regions.

We need to submit applications to regulatory authorities when we are to establish branches and sub-branches in areas outside Zhengzhou. In addition, CBRC restricts city commercial banks from establishing branches and sub-branches outside of their home regions without specific approval. To obtain such approval, we will need to satisfy various requirements imposed by CBRC. Even if we obtain the approval to set up branches and sub-branches outside of Zhengzhou and Henan Province, we may not possess the knowledge of the local business environment, risk management tools and qualified personnel to successfully compete with the banks and other financial institutions existing in those areas or regions. Although we seek to expand our business outside of Zhengzhou and Henan Province through our direct sales banking platform, our efforts may not be successful. The rate of our growth and the expansion of our business may be affected if we are not able to or do not succeed in expanding our operation geographically, which, in turn, may materially and adversely affect our business, financial condition and results of operations.

We may fail to meet capital adequacy requirements set by CBRC in the future.

We are subject to capital adequacy regulation set by CBRC. In summary, the regulation requires domestic systemically important banks to maintain a core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of no less than 6.9%, 7.9% and 9.9%, respectively, and no less than 5.9%, 6.9% and 8.9%, respectively, for domestic non-systemically-important banks by the end of 2014. As of the Latest Practicable Date, the PRC regulatory authorities have not published any criteria for or list of "systemically important banks". Please see "Supervision and Regulation — Supervision over Capital Adequacy". At June 30, 2015, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio was 8.55%, 8.55% and

10.92%, respectively. CBRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios or we may otherwise be subject to new capital adequacy requirements.

Our ability to satisfy the current regulatory capital adequacy requirements could be adversely affected as a result of any deterioration in our financial condition or the quality of our assets, or a decline in our profitability. If our growth calls for additional capital in excess of what we are able to raise internally or in the capital markets or through alternative means, we may need to seek additional capital, which may not be available to us on commercially acceptable terms in a timely manner, if 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, requirements prescribed by PRC laws and regulations, general market conditions for capital-raising activities by commercial banks and other financial institutions, as well as economic, political and other factors both within and outside China. We may face increasing compliance and capital costs as a result of these capital requirements. Furthermore, as these capital adequacy requirements place restrictions on the ability of banks to leverage their capital to achieve growth in their loan portfolios, our results of operations may be materially and adversely affected, and our capacity to further grow our business may be constrained. If we fail to meet these capital adequacy requirements, CBRC may take a series of actions against us, including imposing restrictions on our lending and investment activities, restricting the growth of our loans and other assets, rejecting our application to enter new service sectors and restricting our ability to declare or pay dividends. Such actions may materially and adversely affect our business, results of operations and financial condition.

We will be exposed to various risks as we expand our products and services.

We continue to expand our products and services. We rely to a great extent on interest income, which has been the largest component of our operating income, representing 89.2%, 96.4%, 96.0% and 85.3% of our operating income for the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, respectively. As part of our growth strategy, we plan to introduce more fee- and commission-based products and services, such as direct sales banking, credit cards and financial advisory services. We also seek to cooperate with other financial service providers in China to offer a broader range of financial products that complement our existing products. Our expansion of products and services exposed us and will continue to expose us to various market and operational risks. The success of our new products and services will primarily depends on the following factors:

- our experience and expertise in managing the new products and services;
- our ability to provide satisfactory customer service such as providing sufficient products and service information and handling customer complaints;
- market 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 identify and effectively manage all potential risks associated with our new products and services; and
- competition from banks and other financial service providers.

If we are unable to achieve the intended commercial results with respect to our new products and services, or if we are unable to 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 greater competition among banks on interest income and lower net interest margins from future interest rate liberalization measures. Please see "— Risks Relating to the PRC Banking Industry — Interest rate liberalization, PBoC's adjustment 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".

Furthermore, if we are unable to obtain relevant regulatory approvals, or comply with relevant banking regulations in the sales and marketing of our new financial products and services, we may be subject to legal proceedings or regulatory sanctions, which in turn could lead to significant financial losses and reputational harm.

We mainly rely on customer deposits to fund our business and manage our liquidity.

Customer deposits remain 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 affect our ability to extend new loans while meeting capital and liquidity requirements. Our total customer deposits increased by 36.8% from RMB74,654 million at December 31, 2012 to RMB102,097 million at December 31, 2013, and further increased by 29.8% to RMB132,561 million at December 31, 2014. Our customer deposits amounted to RMB146,163 million at June 30, 2015. However, there are various factors affecting the growth of customer deposits, many of which are beyond our control, such as economic and political conditions, the availability of alternative investment choices and changes in customers' preference for savings. 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, at June 30, 2015, 84.4% of our total deposits from customers were due within one year, or were payable on demand and 73.9% of our gross loans to customers were due within one year. There is a mismatch between the maturities of our liabilities and our assets. The majority of our short-term deposits from customers are generally renewed upon maturity. However, interest rates which are significantly lower than the inflation rate and the development of alternative investment products in China have resulted in financial disintermediation in recent years, and further caused certain customers to withdraw their deposits to make direct investments. Please see "— Risks Relating to the PRC Banking Industry — Interest rate liberalization, PBoC's adjustment 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 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, and, as a result, we may need to seek funding from alternative sources, which may not be available on reasonable terms or at all. If we cannot seek funding from alternative sources on reasonable terms, our business, financial condition and results of operations may be materially and adversely affected.

We manage our liquidity partly through short-term borrowing in the interbank market. Our borrowing cost may increase as a result of the fluctuation of interest rates on the interbank market, which may materially and adversely affect our liquidity, financial condition and results of operations.

We manage our liquidity partly through short-term borrowing in the interbank market. In order to meet our liquidity needs, we borrow short-term funds on the interbank market from time to time. At June 30, 2015, our placements from banks and other financial institutions and financial assets sold under repurchase agreements accounted for 0.9% and 5.6% of our total liabilities. Pursuant to the Notice on Regulating Interbank Business between Financial Institutions (《關於規範金融機構同業業務的通知》) jointly promulgated by PBoC, CBRC, CSRC, CIRC and SAFE on April 24, 2014, the net balance of interbank lending of a commercial bank to a single incorporated financial institution (excluding interbank deposits for settlement purposes), after deducting assets with zero risk weight, shall not exceed 50% of its Tier 1 capital. The balance of interbank borrowing of a commercial bank shall not exceed one third of its total liabilities. We have been in compliance with the above regulatory requirements. Subject to the above laws and regulations and other applicable requirements, we may not be able to acquire sufficient short-term funds from the interbank market at all times, and regulatory authorities may further impose restrictions on the interbank business and interbank borrowing. As a result, our funding costs may increase, which may adversely affect our liquidity and profitability.

We are subject to various PRC regulatory guidelines and requirements, and our past failure to strictly comply with such guidelines and requirements 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, CBRC, PBoC, CSRC, SAFE, MOF, SAIC, CIRC, NAO, NDRC and SAT and 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. Please see "Supervision and Regulation". The PRC regulatory authorities carry out regular and *ad hoc* inspections, examinations and inquiries in respect of our compliance with the legal and regulatory requirements and guidelines relating to our business operations, risk managements 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 take remediation 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. For example, the CBRC Henan Office required us to strengthen our control over credit asset quality management and control and improve the management of our liquidity ratio.

For details, please see "Business — Legal and Regulations — Regulatory Inspection and Procedures". Although we have submitted our remediation reports to regulatory authorities and strengthened our internal control, we cannot guarantee the regulatory authorities will not have further comments on us in their future inspections. We also cannot guarantee that our remediation measures will satisfy regulatory authorities' requirements. If regulatory authorities identify non-compliance or are not satisfied with our remediation measures in future inspections, we may be subject to fines or other administrative penalties.

During the Track Record Period, we had incidents of failure to meet the requirements of the core liabilities ratio under the Core Indicators (Provisional). For details of such incidents, please see "Supervision and Regulation — Other Operational and Risk Management Ratios". Effective March 1, 2014, the above referenced ratios ceased to be the regulatory indicators of liquidity required to be maintained by commercial banks. As of the Latest Practicable Date, we were not subject to sanctions, fines or other penalties due to our non-compliance with the applicable regulations or guidelines. However, if we are subject to sanctions, fines or other penalties due to our past non-compliance with the above applicable regulations or guidelines, our business, financial condition, results of operations and reputation could be materially and adversely affected.

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

In recent years, we have undertaken various initiatives to strengthen our risk management capabilities, including, among other things, improving our internal credit rating mechanisms, strengthening our operational risk management, legal risk management, reputational risk management, market risk and liquidity risk management systems, and continually upgrading our information technology system. However, due to the inherent limitations on the design and implementation of such systems, our systems may not be adequate or effective in identifying or mitigating our risk exposure in all market environments or against all types of risks. Many of our methodologies for managing risk exposure are based upon our assessments on markets or clients or other information that are publicly available or otherwise accessible to us. Our assessments may not be accurate, complete or appropriate. Moreover, the historical data and experience that we rely on may be inaccurate or outdated as a result of market and regulatory developments, and our historical data may not be able to adequately reflect risks that may emerge from time to time in the future. In addition, PRC commercial banks typically utilize various financial instruments to manage risks associated with their businesses. The current state of the financial markets in the PRC and current PRC laws and regulations, however, restrict the types of financial instruments we may use to mitigate risk. Therefore, the risk management tools available to us are limited, which in turn limits our risk management capability and effectiveness. As a result, our risk management methodologies and techniques may not be effective and we may be unable to take timely and appropriate measures to manage our risks.

In addition, our employees and agents may make decisions beyond their authorization and exposes us to excessive risks. Although we, in the development and implementation of our compensation and incentive plans and internal control system, discourage our employees and agents from taking excessive risks, we cannot assure you that the measures we have taken or plan to take can achieve the intended objectives. Similarly, although we employ controls and procedures designed to monitor business decisions of our employees and agents and prevent them from taking excessive risks, we cannot assure you that these controls and procedures are always effective. If our employees and agents take excessive risks, those risks could have a material adverse effect on our business, results of operations, financial condition and prospects. Furthermore, we may not always be able to detect or prevent fraud or other misconduct by our employees, agents, customers or other third parties on a timely basis. Please see "— We may not be able to identify and prevent frauds or other misconduct committed by our employees or third parties, and we may be exposed to other operational risks".

We cannot guarantee the long term stability of our key personnel and may not be able to recruit or retain a sufficient number of qualified staff.

Our ability to continue to grow and meet future business demands is dependent upon the continued service of our senior management and other key personnel. In particular, our future success substantially depends upon the industry experience, experience in our business operations and sales and marketing skills of our key personnel. The departure of any member of our key personnel may have a material adverse effect on our business and results of operations. Moreover, we may face increasing competition in recruiting and retaining qualified staff, including our senior management, as other banks are competing for the same pool of talents 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. There is no 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.

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 internal control, risk management, 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 remain competitive. For further information with respect to our information technology systems, please see "Business — Information Technology". In order to reduce relevant risks caused by system failures, we conduct real-time data backup for our major systems and communications network, and have set up a disaster backup framework consisting of "two cities and two centers", which include an application back-up center in Zhengzhou and a data recovery center in Dongguan. We cannot guarantee, however, 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.

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 in order to respond to market changes and other developments. Thus, any failure to improve or upgrade our information technology systems or to develop new systems effectively or on a timely basis may materially and adversely affect our business, financial condition and results of operations.

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, letters of guarantee, letters of credit and loan commitments. Such arrangements are not reflected on our balance sheet but constitute contingent assets or contingent liabilities. At December 31, 2012, 2013 and 2014 and June 30, 2015, our off-balance sheet commitments totaled RMB14,604 million, RMB19,075 million, RMB30,116 million and RMB39,615 million, respectively. Please 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 customer, our financial condition and results of operations may be materially and adversely affected.

Our investment assets may suffer significant losses or experience sharp declines in their returns, which could have a material adverse effect on our business, results of operations and financial condition.

Apart from our businesses of taking deposits, providing loans, granting credit and providing financial services, we also engage in a range of investment activities, such as investments in investment products under trust schemes, investment products managed by securities companies, wealth management products issued by other PRC commercial banks and other debt securities issued by financial institutions. Our returns on investment securities and other financial assets, and our profitability, may be materially and adversely affected by interest rates, foreign exchange rates, credit and liquidity conditions, asset values and macroeconomic and geopolitical conditions. Any significant deterioration in one or more of these factors could reduce the value of, and the gains generated from, our investment securities and other financial assets portfolio and could have a material adverse effect on our business, financial condition and results of operations. As the derivatives market in China is not as mature as that in some developed countries, there are limited risk management tools available to us to reduce market risks relating to our investment portfolio.

If any of the issuers of investment securities or other financial assets or guarantors goes bankrupt, has poor operating performance, or becomes unable to service their debts for any other reasons, or if such investment securities or other financial assets lacks liquidity, or if there are adverse changes in macroeconomic environment and other factors, the value of such investment securities and other financial assets may decrease substantially. As a result, our asset quality, financial condition and results of operations may be materially and adversely affected.

The performance and volatility in stock markets in the PRC and elsewhere may affect our investment assets. We have indirect exposure to the PRC stock market fluctuations through lending to, and purchasing of wealth management products from, trust and securities companies, which may have extended margin financing to the stock market and lent to borrowers who have used their shares as collateral. Therefore, a significant decline in PRC stock markets may lead to a decrease in unrealized gains or result in unrealized or realized losses in our investment securities and other financial assets, or a decrease in the value of the collateral provided to us, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects. PRC stock markets are subject to volatility for a variety of reasons, including political, economic and social conditions, among others. These and other factors may, from time to time, result in significant price volatility, unexpected losses and lack of liquidity in the PRC stock markets. In particular, the PRC stock markets have experienced substantial fluctuations in the prices and trading volumes of listed securities, including significant price declines, from time to time, in recent years. More recently, since mid-June 2015, the PRC stock markets have experienced significant volatilities, including a number of substantial declines. A significant decrease in the prices of the listed stocks could have a material adverse effect on our business, results of operations, financial condition and prospects.

Volatility in debt markets in the PRC may also affect our investment assets. At June 30, 2015, 16.4% of our total assets were investments in debt securities, of which 20.7% were government bonds, 53.9% were debt securities issued by PRC policy banks, 3.1% were debt securities issued by banks and other financial institutions and 22.3% were debt securities issued by corporate issuers. Debt securities markets are also subject to volatility. A significant decline in debt securities markets in the PRC could adversely affect the value of the debt securities held by us and could have a material adverse effect on our business, results of operations, financial condition and prospects.

We are subject to risks relating to our investments in non-standard credit assets products.

Our investments in non-standard credit assets products include investments in trust plans and asset management plans under which credit facilities were extended to financing parties in each case. During the Track Record Period, we increased our investments in non-standard credit assets products mainly because of their relatively high returns and manageable risks, among others. For a detailed description of these non-standard credit assets products, please see "Business — Our Principal Business — Treasury Business — Investments in Securities and Other Financial Assets — Investments in Other Debt Instruments Issued by Financial Institutions".

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our investments in non-standard credit assets products amounted to RMB12,390 million, RMB18,637 million, RMB36,451 million and RMB37,499 million, respectively, representing 11.9%, 12.5%, 17.8% and 16.6%, respectively, of our total assets at the corresponding dates. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, interest income from our investments in non-standard credit assets products amounted to RMB713 million, RMB1,253 million, RMB2,079 million and RMB1,573 million, respectively, representing 14.9%, 18.4%, 21.7% and 25.8%, respectively, of our total interest income for the same periods.

Income from our investments in these non-standard credit assets products is either fixed or determinable. The repayment of principal of and returns on such assets are typically guaranteed by financial institutions in the PRC or secured by collateral provided by ultimate borrowers, including properties, land use rights, certificates of deposit, and equity interests. In order to control risks, we typically conduct due diligence investigations on the ultimate borrowers and the financed projects underlying the trust fund plans for single beneficiaries by referring to our review and approval procedures for corporate loans, and assess the creditworthiness and qualifications of the respective trust companies, securities companies and other relevant financial institutions (where applicable) for other non-standard credit assets. Please see "Risk Management — Credit Risk Management — Credit Risk Management for Treasury Business". We may not be able to receive repayment of principal of and returns on these non-standard credit assets products as a result of any material and adverse changes to the financial conditions of the trust companies, securities companies or the ultimate borrowers.

Investments in non-standard credit assets products carry certain credit risk. We make investment decisions based on our own assessment of the issuers of these non-standard credit asset products and the ultimate borrowers for such products to achieve the agreed-upon return rates. If the agreed-upon return rates cannot be achieved or the principal of our investments cannot be repaid, we primarily rely on the issuers to reduce our losses, exercise our rights under the related contracts and guarantees and to enforce collateral to recover losses from the ultimate borrowers and the guaranteeing financial institutions (if any). We do not have direct recourse to the ultimate borrowers or their guarantors in the underlying transactions. We may not be able to rely on the guarantees, or liquidate or realize the value of the collateral, provided by the ultimate borrowers, as such guarantees and collateral are provided to the trust companies and securities companies instead of us. In addition, as non-standard credit assets products are not traded on the PRC interbank market or stock exchanges, and there has not yet been an active trading market for non-standard credit assets products, their liquidity is limited. As a result, we generally hold our non-standard credit assets to maturity.

Although PRC regulatory authorities do not currently restrict commercial banks from investing in non-standard credit assets products, there can be no assurance that future changes in regulatory policies will not restrict commercial banks in China, including us, from investing in non-standard credit assets products. In addition, adverse regulatory developments relating to these types of investments could cause declines in the value of our investment portfolio and, as a result, may 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 varieties of wealth management products offered to customers. For example, our Jin Wu Tong ("金梧桐") wealth management program is tailored to the needs of our customers with different investment return expectations and risk appetites. For the six months ended June 30, 2015, the amount raised from our principal-protected and non-principal-protected wealth management products amounted to RMB18,080 million and RMB16,197 million, respectively.

We have invested the funds raised through the sale of our wealth management products mainly in money market instruments, fixed-income products and non-standard credit assets. As some of the wealth management products issued by us are principal-protected, we are liable for any loss in principal suffered from investing in these products. Although we do not believe we are responsible for any loss investors may incur in connection with non-principal-protected wealth management products, we may eventually bear such losses if the investors bring lawsuits against us and the court rules against us. We may also decide to bear part or all of such losses for reputational or other considerations. In the event that our reputation is severely damaged relating to our wealth management products, we could suffer a loss of business and customer deposits.

In addition, the tenor of 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 bridge the funding gap when existing wealth management products mature. The PRC regulatory authorities have released regulations to limit the size of commercial banks' investments in non-standard credit assets with funds raised from wealth management products. If the PRC regulatory authorities further restrict the wealth management business of Chinese commercial banks, our liquidity and profitability could be adversely affected.

Issues related to land use right and building ownership may adversely affect our ability to occupy and use certain properties we own and/or lease from third parties.

As of September 30, 2015, we owned 99 properties with an aggregate GFA of approximately 121,500 square meters in the PRC. We have not obtained the land use right certificate and/or building ownership certificate for some of the properties. Please see "Business — Properties". We are currently in the process of applying for land use right certificates and building ownership certificates for these properties. However, we may not be able to obtain these title certificates. We cannot assure you that our title would not be adversely affected in respect of properties for which we were unable to obtain the relevant title certificates. If we are forced to relocate any of the operations we conduct on the affected properties, we may incur additional costs as a result of such relocation.

As of September 30, 2015, we leased 120 properties with an aggregate GFA of approximately 78,600 square meters, which we mainly use as business premises. Among these properties, 33 properties with an aggregate GFA of approximately 16,700 square meters were leased from lessors who were not able to provide title certificates. As a result, our leases may be invalid. 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 may not be able to identify and prevent frauds or other misconduct committed by our employees or third parties, and we may be exposed to other operational risks.

We are exposed to frauds or other misconduct committed by our employees or third parties, which could subject us to financial losses, third party claims, regulatory actions or reputational damages.

We cannot assure you that our internal control policies and procedures are effective and sufficient to prevent, or that we can otherwise fully detect or deter, all incidents of fraud and misconduct. In addition, improper acts of third parties against us, such as frauds, theft of customer information for illegal activities, robberies and certain armed crimes, may also expose us to certain risks. If we are unable to detect and prevent frauds or other misconduct committed by our employees or third parties, our business, financial condition, reputation and results of operations could be materially and adversely affected.

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, or at all, which could expose us to reputational damages and additional liability risks.

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 utilized 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. Please see "Risk Management — Compliance Risk Management — Anti-money Laundering" and "Supervision and Regulation — Anti-money Laundering Regulation".

We may be involved in legal and other disputes from time to time arising out of our operations.

We are involved in legal and other disputes from time to time for a variety of reasons, which are generally loan disputes or claims arising out of our banking business. Please see "Business — Legal and Regulations". We cannot guarantee that the outcome of any of the disputes we are involved in would be favorable to us and any future legal disputes we may confront could result in damage to our reputation, additional operational costs and a diversion of resources and management's attention from our business operations.

We have certain Shareholders that we have been unable to contact and register as of the Latest Practicable Date, which may lead to potential disputes.

As of the Latest Practicable Date, we had contacted and registered 124 corporate Shareholders and 2,962 individual Shareholders. Among our 3,626 existing Shareholders, we have not been able to confirm certain of our Shareholders' identities because we do not have their current contact details or for other reasons. Such unidentifiable Shareholders include 145 corporate Shareholders and 395 individual Shareholders. The 145 corporate Shareholders collectively own 26,175,774 Shares, and the 395 individual Shareholders collectively own 2,407,070 Shares. The Shares held by such Shareholders represented approximately an aggregate of 0.73% of our total issued share capital as of the Latest Practicable Date.

We cannot assure you that we will successfully contact and accurately record all holders of our Shares or all persons who are entitled to our Shares. We have entrusted the Shares held by all of our Shareholders recorded on the register of Shareholders of our Bank, including such unidentifiable Shareholders, to the Property Rights Trading Center in Henan Province (河南省產權交易中心). With respect to cash dividends attributable to the Shares with uncertain entitlements, we have kept such dividends in a special account created for this purpose and will be released upon the determination of entitlements of the Shares. King & Wood Mallesons, our PRC legal advisor, is of the view that the existence of the aforementioned unidentifiable Shareholders is not expected to have any material adverse effect on our share capital structure, corporate governance and business operations. In addition, due to the large number of our Shareholders, we may not be able to timely identify and record changes in our Shareholders as a result of any private transfers, or any transfer as a result of their liquidation, reorganization or otherwise by operation of law. Disputes may arise in the future between us and unidentifiable Shareholders or persons who claim to own our Shares but are not shown on our register. Any of such disputes or objections may result in dilution of relevant shareholding, negative publicity or reputational damage to us.

Our current practice of enforcing voting restrictions may be subject to more stringent regulatory requirements in the future.

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抵押管理的通知》) (the "Notice") promulgated by CBRC in November 2013, commercial banks are required to stipulate in their articles of associations, where a shareholder pledges 50% or more of its respective 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 board meetings, shall be subject to restrictions (the "Voting Restrictions").

To comply with the Notice, we amended our Articles of Association to include articles on Voting Restrictions (the "Voting Restriction Articles") which was approved by CBRC Henan Office and became effective in September 2014. However, in situations where a Shareholder had pledged 50% or more of its Shares prior to the Voting Restriction Articles coming into effect, we currently do not impose the Voting Restrictions on such Shareholder or any of its designated Directors. For further details, please see "Supervision and Regulation — Ownership and Shareholder Restrictions — Restrictions on Shareholders" and "Substantial Shareholders". Since the promulgation of the Notice until the Latest Practicable Date, we have not been notified of any objections or penalties brought against us in this regard by PRC regulatory authorities. Nevertheless, PRC regulatory authorities may adopt more stringent requirements in the future. If our current practice is not in conformity with any new implementation guidelines or regulatory opinion, PRC regulatory authorities may demand us to take remediation actions and, at its discretion, bring regulatory actions against us. Such demand and regulatory actions may adversely affect our business operation.

We may not be able to register our trademark in Hong Kong.

As of the Latest Practicable Date, we have lodged one trademark application in Hong Kong for trademarks set out in the paragraph headed "Statutory and General Information — 2. Further Information about Our Business — B. Intellectual Property Rights — (a) Trademarks" in Appendix VII to this prospectus. However, there is no assurance that such pending application for trademark registration in Hong Kong will eventually be approved or that we would be granted exclusive rights to use it as a registered trademark in Hong Kong. If the trademark could not be registered, or if the registration process is delayed, we may infringe upon the registered trademark of third-parties for using texts and images of such trademark; therefore, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO THE PRC BANKING INDUSTRY

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 lines of business from commercial banks, including the Large Commercial Banks and the Nationwide Joint-stock Commercial Banks with operations in Henan Province and Zhengzhou, which may enjoy a significant advantage over us in capital, assets, market influence and information technology. We also face increasing competition from other local city and rural commercial banks operating in Zhengzhou. 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 increasing competition for recruiting senior management talent and qualified professional personnel.

On July 1, 2013, the General Office of the State Council 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 investments 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. We may therefore face competition from privately-owned banks in the future.

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 investors' moving funds out of intermediary financial institutions, such as savings and deposit-taking banks, to direct investments, has increased in China, in part due to interest rates on deposits being below inflation rates, the availability of new financial products, the further development of financial markets, the diversification of customer demand and other factors. Our deposit customers may move their funds deposited with us to invest in stock, bonds and wealth management products, which may result in a decrease in our customer deposits, the most important source of funds available to us for our lending business, further impacting our net interest income. In addition, due to the continued growth of domestic securities markets and relaxation of restrictions on issuing securities in the international markets, we may face competition from direct corporate financing, such as the issuance of debt or equity securities in the domestic and international capital markets. If a substantial number of our customers choose alternative ways of financing to fund their funding needs, this may also adversely affect our interest income. A decrease in the financing demand of our corporate customers, especially large corporates, 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. Third-party online payment volume totaled RMB8,076.7 billion in 2014, accounting for an increase of 50.3% from 2013. PRC commercial banks 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 are 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 regulations 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 lines of business in which we operate, or the specific businesses for which we can charge fees, as well as changes in other government policies. We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include, but are not limited to, CBRC, PBoC, SAFE, MOF, NAO, SAT, CSRC, CIRC and their respective local branches, particularly in Zhengzhou and Henan Province. Some of such regulatory authorities conduct periodic and *ad hoc* inspections, examinations and inquiries on our business operations and compliance with the laws, regulations and guidelines, and have the authority to impose sanctions, penalties or remediation actions. These laws, regulations and guidelines impose regulatory requirements on, among others, banking products and services, market entry, opening of new branches or institutions, tax and accounting policy and pricing. 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, CBRC restricts us, as a city commercial bank, from expanding beyond our approved geographic region 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. Many of the policies, laws and regulations governing the banking industry or the interpretation thereof may 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 or restrictions on 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 PRC banking industry has experienced rapid growth along with China's economic development. Banks have historically been, and are likely to remain, the principal financing channel for corporates and the primary choice for domestic savings. We expect the banking industry in the PRC to maintain its growth as a result of the continued growth in the PRC economy, increases in household income, interest rate liberalization and further liberalization of exchange restrictions on the RMB, among other factors.

Notwithstanding the significant growth in the banking industry in China, it is uncertain whether the banking industry in China can sustain the current rates of growth. A slowdown in the growth of the PRC economy, other unfavorable macroeconomic developments and trends in China and other parts of the world could materially and adversely affect the banking industry in China. Due to the newly-accumulated risks caused by overcapacity, local government debts and overall economic downturn, we cannot assure you that the banking industry in the PRC is free from systemic risks. In addition, the stimulus package the PRC government introduced in the aftermath of the global financial crisis in 2008 to boost China's economy has led to a rapid increase in bank loans. However, this rapid increase may have resulted in loans being made to less-qualified customers. The recent slowdown in China's economic growth has led to a rise in non-performing loans of the banking industry. Furthermore, Henan Province is currently experiencing industrial restructuring. In the event that we cannot adapt to the transformation of the regional economy, our business, financial condition and results of operations could be materially and adversely affected.

Interest rate liberalization, 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, which accounted for 89.2%, 96.4%, and 96.0% of our operating income for the years ended December 31, 2012, 2013 and 2014 respectively. For the six months ended June 30, 2015, our net interest income accounted for 85.3% of our operating income. Interest rates in China have been gradually liberalized in recent years and our net interest income is sensitive to adjustments in the benchmark interest rates set by PBoC. Effective June 8, 2012, PBoC allowed financial institutions to set interest rates on Renminbi-denominated deposits at up to 110% of PBoC benchmark rates. On July 20, 2013, PBoC abolished the floor rates for Renminbi-denominated loans (excluding interest rates on residential mortgage loans) and allowed financial institutions to set interest rates based on commercial considerations. On November 22, 2014, PBoC allowed financial institutions to set interest rates on Renminbi-denominated deposits at up to 120% of PBoC benchmark rates, which was raised to 130% and then 150% of PBoC benchmark rates on March 1, 2015 and May 11, 2015, respectively. Effective August 26, 2015, PBoC removed the cap on the interest rates on Renminbi-denominated time deposits with tenors of longer than one year while the cap on the interest rates on Renminbi-denominated demand deposits and time deposits with tenors up to one year remain unchanged. Effective October 24, 2015, PBoC removed the cap on interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on commercial considerations. Interest rate liberalization may intensify competition in China's banking industry as China's commercial banks seek to make loans and take deposits with more attractive interest rates, which could significantly narrow the net interest margin of Chinese commercial banks, thereby materially and adversely affecting our results of operations. We cannot assure you that we will be able to diversify our businesses, adjust the composition of our asset and liability portfolios and change our pricing to effectively respond to the further liberalization of interest rates.

For details on the changes of benchmark interest rates in recent years, please see "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits". Any adjustments by PBoC to the benchmark interest rates on loans or deposits or changes in market interest rates may adversely affect our financial condition and results of operations in different ways. For example, changes in PBoC benchmark interest rates could affect the average yield on our interest-earning assets differently from the average cost on our interest-bearing liabilities and therefore may narrow our net interest margin, leading to a decrease in our net interest income, which in turn may materially and adversely affect our results of operations and financial condition. A decrease in interest rates may reduce our interest income from interest-earning investments, while an increase in interest rates may reduce the value of our investment portfolio of debt securities and increase our cost on financing. An increase in interest rates may also result in an increase in the financing costs of our customers, thus reducing the overall demand for loans and, accordingly, adversely affecting the growth of our loan portfolio, as well as increasing the risk of default by our customers on loans. As a result, changes in interest rates may adversely affect our net interest income, financial condition and results of operations.

We also conduct trading and investment activities involving certain financial instruments in China. Our income generated from these activities is subject to volatilities caused by, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates generally cause the value of our fixed rate securities investment portfolio to drop, which may materially and adversely affect our results of operations and financial condition. In addition, the derivatives market in the PRC is still in the early stages of development and, as a result, we may not be able to effectively hedge such market risks.

As a crucial step for liberalizing interest rates in China, the Deposit Insurance Regulation was published on February 17, 2015 and came into effect on May 1, 2015. The Deposit Insurance Regulation 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. It is still uncertain whether the Deposit Insurance Regulation will have a positive or negative impact on city commercial banks like us.

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

The national credit information databases developed by PBoC have been put into use for a number of years. 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. 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 to assess the credit risk associated with a particular customer. Moreover, customary loan contracts in China may not contain the same types of financial and other covenants as contracts in other countries or regions, which would not allow us to effectively monitor and detect changes to the credit standing of our customers in a timely manner. As a result, our ability to effectively manage our credit risk may be limited, which could 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 competent regulatory authority, such shareholder may be subject to sanctions by such regulatory authority, which includes, among other things, correction of such misconduct, confiscation of illegal gains (if any) or fines. In addition, under the PRC Company Law, we may not extend any loans secured by our Shares as collateral. Furthermore, pursuant to the Corporate Governance Guidelines and our Articles of Association, a Shareholder must notify our Board of Directors before pledging our Shares as collateral for itself or others. In addition, Shareholders who have outstanding loans from us exceeding the audited net value of our Shares held by them at the end of the previous financial year are not permitted to pledge our Shares. Our Shareholders (especially the major Shareholders) are restricted from voting on shareholders' general meetings, if such Shareholders fail to repay outstanding borrowings when due. A Shareholder would also be restricted from voting on our shareholders' general meetings if such Shareholder pledges 50% or more of its Shares pursuant to our Articles of Association. If a Shareholder who has representation on the Board of Directors or the Board of Supervisors, or directly, indirectly or jointly holds or controls more than 2% of our share capital or voting rights pledges his equity interests in us, they shall make a filing to the Board of Directors 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. Changes in restrictions on shareholding imposed by the PRC government or as provided for in our Articles of Association in the future may materially and adversely affect the value of your investment. For details of restrictions on the ability of a commercial bank's Shareholders to pledge their shares, please see "Supervision and Regulation — Ownership and Shareholder Restrictions — Restrictions on Shareholders".

IFRS 9 and its amendments on its application may require us to change our provisioning practice for impairment in 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. Please see "Financial Information — Critical Accounting Estimates and Judgments". The International Accounting Standards Board ("IASB"), which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments from time to time, which will replace the accounting standards relating to classification, measurement and derecognition of financial assets and financial liabilities under IAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. These standards will take effect on January 1, 2018. The major differences between IFRS 9 and IAS 39 are the measurement categories and the approach for classifying financial assets. The classification of financial assets under IFRS 9 will require us to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as "amortized cost" or "fair value through other comprehensive income" under IFRS 9, we will be required to apply a new expected loss impairment model under IFRS 9, which, as compared to the incurred loss model in IAS 39, uses more forward-looking information and does not involve a threshold until which credit losses remain unrecognized. For details on the differences between IFRS 9 and IAS 39, please see Note 2(1) to our historical financial information set forth in Appendix I — "Accountants' Report" to this prospectus. It is not practicable to provide a reasonable estimate of the effect or quantify the impact on our operating results and financial position until we make a detailed assessment as the new standard requires changes to systems and processes to collect necessary data. 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 may 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 other PRC commercial banks and 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 CBRC. 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. For single substantial corporate loans classified as substandard or lower categories, we make assessment on an individual basis. For single non-performing corporate loans which are not material, performing corporate loans and for all of our personal loans, we make a collective assessment based on our historical loss experience. Our loan classification and provisioning policies may be different in certain respects from those for banks incorporated in certain other countries or regions. In addition, although our loan classification criteria are in compliance with the guidelines set forth by CBRC, certain of our loan classification criteria may not be the same as those adopted by other PRC commercial banks. For details on our loan classification criteria, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Loan Classification Criteria". 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.

The applicable PRC regulations impose certain limitations on the products in which we may invest and, our ability to seek higher investment returns, diversify our investment portfolio and hedge the risks relating to our Renminbi-denominated assets is limited.

PRC regulatory restrictions on investments by commercial banks have only been gradually lifted recently. As a result, the investment assets of PRC commercial banks traditionally consist of a limited variety of investments permitted for PRC commercial banks, such as debt securities issued by MOF, PBoC, PRC policy banks and PRC commercial banks, and medium-term notes and commercial papers issued by corporates. In recent years, additional investment products have been introduced to the market, such as investment products under trust schemes, investment products managed by securities companies, wealth management products issued by financial institutions, investment funds and asset-backed securities, as a result of changes to the regulatory regimes and market conditions. However, the investment assets of PRC commercial banks have demonstrated a relatively high level of correlation such that decreases in the value of some assets are often accompanied by corresponding losses in the value of other assets. Restrictions on our ability to diversify our investment portfolio may limit our ability to seek an optimal return. Moreover, our ability to hedge the risks of Renminbi-denominated investment assets is limited due to restrictions under the applicable PRC laws on Renminbi-denominated hedging instruments.

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 media 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

China's economic, political and social conditions, government policies, as well as the global economy may continue to affect our business.

All of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has taken various actions to introduce market forces for economic reform, to reduce state ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by imposing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, the monetary policy and preferential treatment to particular industries or enterprises.

Our performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy, the political environment in various regions of the world will continue to impact China's economic growth. China's real GDP growth was 7.7%, 7.7% and 7.4% in 2012, 2013 and 2014, respectively.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social and regulatory developments and many of these risks are beyond our control. All such factors may adversely affect our business and operations as well as our financial performance.

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.

Our Articles of Association provides that, apart from disputes over the recognition of Shareholders or records of Shareholders on our register, disputes between holders of H Shares and us, our Directors, Supervisors or senior management or other Shareholders arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related rules and regulations concerning our affairs are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center, rather than by a court of law. Awards made by PRC arbitral authorities (including CIETAC) recognized under the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong, "Arbitration Ordinance") can be enforced in Hong Kong subject to provisions of Arbitration Ordinance. Hong Kong arbitration awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in the PRC by holders of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

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, a majority of our Directors, Supervisors and all of our senior management personnel 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 senior management personnel, 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 of the Supreme People's Court on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and Hong Kong SAR Pursuant to Agreed Jurisdiction by Parties Concerned (the "Arrangement") effective 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 matter 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 rendered by a Hong Kong court 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 rendered by Hong Kong courts that are compliant with the Arrangement will be recognized and effectively enforced by the PRC courts.

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.

Substantially all of our revenue is denominated 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 funds to make payments for 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 make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account or current account transactions under certain circumstances. As a result, 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. From 1994 to July 20, 2005, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, was based on rates set by PBoC, set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the international financial markets. On July 21, 2005, the PRC government adopted a more flexible 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 introduced further changes to the exchange rate system. 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, 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, 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, and further depreciated by nearly 1.6% on August 12 as compared to August 11. 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.

We believe we have minimal exposure to fluctuations in exchange rates. At June 30, 2015, 1.5% of our assets and 1.6% of our liabilities were denominated in foreign currencies. However, our foreign currency business may expand and, therefore, any appreciation of RMB against U.S. dollar or any other foreign currencies may result in a 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 currencies. We cannot assure you that we will be able to effectively hedge our exchange rate risk exposure relating to our foreign currency-dominated assets. In addition, there are limited instruments available for us to hedge our exchange rate risk at reasonable costs. 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 export related businesses. As a result, their abilities to perform their obligations to us may be adversely impacted. Furthermore, we are also currently required to obtain the approval from SAFE before converting large amounts of foreign currencies into RMB. All of these factors could adversely affect our financial condition, results of operations and our ability to comply with capital adequacy ratios and operational ratios.

Holders of H Shares may be subject to PRC taxation for dividends paid by us and gains realized through their disposal of our H Shares.

Dividends paid by us to non-resident individual holders of our H Shares are subject to individual income tax. Pursuant to SAT's Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》) promulgated by SAT on June 28, 2011, dividends paid by domestic non-foreign invested enterprises which have issued shares in Hong Kong are generally subject to individual income tax at the rate of 10%. For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates lower than 10%, we will apply on behalf of them to seek entitlement to preferential tax treatments, 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%, we 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, we will withhold and pay the individual income tax at the rate of 20%. In addition, According to the PRC Individual Income Tax Law and its Implementation Rules, gains realized by non-resident individual holders of H Shares upon sale or otherwise disposal of H Shares, are subject to PRC individual income tax at a rate of 20%. Pursuant to the Notice on Gains Derived by Individuals from Share Transfers Continue to be Exempt from Individual Income Tax jointly issued by MOF and SAT on March 30, 1998, and the Notice on Matters Concerning the Collection of Individual Income Tax on the Income Received by Individuals from Transfer of Listed Shares Subject to Trading Restrictions (Cai Shui [2009] No. 167) (《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》(財稅[2009]167號)) jointly issued by MOF, SAT and CSRC on December 31, 2009, income derived by individuals from transfer of shares (except for shares with restrictions on sale) in listed companies continues to be exempt from individual income tax. However, 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 (《中華人民共和國企業所得稅法》及實施條例), 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 the 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. SAT issued SAT's Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividends to Non-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》) on November 6, 2008, which further provided that PRC resident enterprises shall withhold and pay enterprise income tax at a rate of 10% when they distribute dividends to non-resident enterprise shareholders of H Shares out of profits earned after January 1, 2008. The Reply of SAT on Levying Enterprise Income Tax on Dividends Received by Non-resident Enterprises from B shares (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》) issued by SAT on July 24, 2009 further provided that Chinese resident enterprises publicly listed on overseas stock exchanges shall withhold and pay enterprise income tax at a tax rate of 10% on behalf of non-resident enterprise shareholders when distributing dividends to such non-resident enterprise shareholders where non-resident enterprise shareholders are entitled to tax benefits under relevant tax treaties according to the provisions of the tax treaties. According to the Interim Measures for Administration of Withholding at Source of Income Tax of Non-resident Enterprises (《非居民企業所得稅源泉扣繳管理暫行辦法》) issued by SAT on January 9, 2009, where both parties to the share transfer transaction are non-resident enterprises and such transaction is conducted outside of China, the non-resident enterprise that receives income shall pay tax by itself or through its agent to the competent tax authority in the place where the Chinese issuer of the transferred shares is located. The Chinese issuer shall assist the tax authority to collect tax from the non-resident enterprise. As of the Latest Practicable Date, there are no specific rules about how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

There remains uncertainty as to how the PRC tax laws, regulations and statutory documents are interpreted and implemented by the PRC tax authorities. PRC tax laws, regulations and statutory documents may also change. If there are any unfavorable changes to applicable tax laws or interpretations or application with respect to such laws, the value of your investment in our H Shares may be materially affected. Please see Appendix VI — "Taxation and Foreign Exchange" to this prospectus.

Payment of dividends is subject to restrictions under PRC laws.

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 will also prepare financial statements in accordance with IFRS. Our profit after tax available for distribution for a particular financial 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 and general reserve as well as discretionary reserve as approved by our shareholder's 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 recorded an accounting profit. Any distributable profits not distributed in a given year may be retained and available for distribution in subsequent years. In addition, CBRC has discretion 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. Please see "Supervision and Regulation — Supervision over Capital Adequacy".

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 where 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 the economy 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 us (on behalf of outselves and the Selling Shareholders) and the Joint Global Coordinators on behalf of the Joint Bookrunners and the Underwriters, 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 revenues, earnings and cash flows, 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 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. Please see "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange Pursuant to the Listing Rules" 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 held by NSSF immediately after the Global Offering will amount to 120,000,000 H Shares, representing approximately 2.33% of our total issued share capital assuming the Over-allotment Option is not exercised (or 138,000,000 H Shares, representing approximately 2.59% 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.

The Bank's Domestic Shares may be converted into H Shares, if the conversion and trading of H Shares so converted have been duly completed pursuant to requisite internal approval and the approval from the relevant PRC regulatory authorities, including CSRC. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authorities under the State Council and the regulations, requirements and procedures of the Hong Kong Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing market price of our H Shares.

Because the Offer Price of our H Shares is higher than our net tangible assets 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 assets per Share of the outstanding Shares issued to our existing Shareholders at June 30, 2015. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible assets of HK$0.34 per H Share based on our net tangible assets per Share at June 30, 2015 (assuming an Offer Price of HK$4.21, which is the high end 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 net tangible assets per Share on their Shares. In addition, holders of our H Shares may experience a further dilution of their interest if the Joint Global Coordinators (for themselves and on behalf of the International Purchasers) exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

We did not declare any dividends in 2012. We declared cash dividends of RMB591 million and RMB710 million in respect of the financial years of 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 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 of Directors 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. Please see "Financial Information — Dividend Policy" and "— Payment of dividends is subject to restrictions under PRC laws".

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

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 PBoC, CBRC, the International Monetary Fund, the Zhengzhou Development and Reform Commission, the Statistics Bureaus of Henan Province and other provinces, or other public sources. 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 Joint Sponsors, 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. As a result, you should not place undue reliance on such information.

You should rely only on this prospectus, and not place any reliance on any information contained in press articles or other media, in making your investment decision.

We have not authorized anyone to provide you with information that is not contained in, or is different from what is contained in, this prospectus. Prior or subsequent to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information purportedly about us contained in such unauthorized press and media coverage may be untrue and may not reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our H Shares, you should rely only on the information included in this prospectus and the Application Forms.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the 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 and the Listing Rules for the purpose of giving information to the public with regard to us. The 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, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC AND CBRC APPROVALS

We have obtained approvals from CBRC Henan Office and CSRC for the Global Offering and the making of the application to list our H Shares on the Hong Kong Stock Exchange, on September 14, 2015 and October 15, 2015, respectively. In granting such approvals, neither CSRC nor 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.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

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 Joint Sponsors. 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 the Price Determination Date, subject to determination of the pricing of the Offer Shares. For further details about the Underwriters and the underwriting arrangements, please see "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering".

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and on 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 Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on or around December 16, 2015 or such later date as may be agreed upon between the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), and in any event no later than December 21, 2015. If the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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 for subscription in any jurisdiction or in any circumstances in which such an offer or invitation for subscription is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription.

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 an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC.

SELLING SHAREHOLDERS

	Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
1	Zhengzhou Development & Investment Group Co. Ltd. (鄭州發展投資集團有限公司)	61,002,925	70,153,355
2	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	16,627,162	19,121,236
3	Bridge Trust Company Limited (百瑞信託有限責任公司)	8,842,262	10,168,601

	Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
4	Henan Investment Group Limited (河南投資集團有限公司)	6,920,511	7,958,588
5	Central Plains Environmental Protection Co., Ltd. (中原環保股份有限公司)	3,540,707	4,071,814
6	Henan Non-ferrous Geological Minerals Limited (河南有色地質礦產有限公司)	3,540,707	4,071,814
7	Henan Expressway Development Company Limited (河南高速公路發展有限責任公司)	3,540,707	4,071,814
8	Henan Transport Industry Development Limited (河南交通實業發展有限公司)	3,229,125	3,713,494
9	China Great Wall Aluminum Company (中國長城鋁業公司)	1,416,343	1,628,794
10	Zhengzhou Dengdian Coal Industry Development Limited (鄭州登電煤業開發有限公司)	1,416,283	1,628,725
11	Zhengzhou Erqi Township and Rural Renovation Construction Development Limited (鄭州市二七城鄉更新建設開發有限公司)	931,201	1,070,881
12	Zhengzhou Guancheng Construction Integrated Development Corporation (鄭州市管城建設綜合開發總公司)	740,234	851,269
13	China Petrochemical Sales Limited (中國石化銷售有限公司)	708,141	814,363
14	Henan Province Grain Trading and Logistics Market Limited (河南省糧食交易物流市場有限公司)	708,141	814,363
15	Zhengzhou Chengxin Asset Operation Limited (鄭州誠信資產經營有限公司)	708,141	814,363
16	Zhengzhou Xindeng Business Enterprise Group Limited (鄭州新登企業集團有限公司)	708,141	814,363

	Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
17	Zhengzhou Zhongyuan City Development Construction and Investment Limited (鄭州市中原城市開發建設投資有限公司)	607,497	698,622
18	Henan China Tobacco Industry Company Limited (河南中煙工業有限責任公司)	495,699	570,054
19	Zhengzhou Three Electricity Office (鄭州市三電辦公室)	424,885	488,618
20	Henan Provincial People's Hospital (河南省人民醫院)	354,071	407,181
21	Finance Bureau of Shangjie District, Zhengzhou (鄭州市上街區財政局)	311,665	358,415
22	Henan Provincial Committee Office of the Communist Party of China (中共河南省委辦公廳)	283,257	325,745
23	China Jianyin Investment Company Limited (中國建銀投資有限責任公司)	283,257	325,745
24	State Grid Yingda Group Limited (國網英大國際控股集團有限公司)	283,257	325,745
25	Henan Province Jinshui Investment Management Limited (河南省金水投資管理有限公司)	254,948	293,190
26	Henan Province Xinhua Book Store Issuing Group Limited (河南省新華書店發行集團有限公司)	212,442	244,309
27	Henan No. 1 Coal-Fired Power Construction Company (河南第一火電建設公司)	212,442	244,309
28	China Tobacco Henan Import and Export Company Limited (中國煙草河南進出口有限責任公司)	177,035	203,591
29	Zhengzhou Labor Agrochemicals Limited (鄭州蘭博爾科技有限公司)	141,633	162,877

	Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
30	Henan Electric Power Material Company (河南電力物資公司)	141,628	162,873
31	Henan Provincial Film Company (河南省電影公司)	141,628	162,873
32	China National Tobacco Corporation Henan Provincial Company (中國煙草總公司河南省公司)	141,628	162,873
33	Zhengzhou Water Supply Investment Holdings Limited (鄭州自來水投資控股有限公司)	141,628	162,873
34	The People's Bank of China Zhengzhou Training College (中國人民銀行鄭州培訓學院)	109,917	126,405
35	Zhengzhou Traditional Chinese Medicine Hospital (鄭州市中醫院)	106,221	122,154
36	Zhengzhou Orthopaedics Hospital (鄭州市骨科醫院)	106,221	122,154
37	Yellow River Landscape Group Limited (黃河園林集團有限公司)	106,221	122,154
38	Henan Provincial Coal Sales Group Transportation and Sales Limited (河南省煤炭銷售集團運銷有限公司)	70,814	81,436
39	Staff Development Institute of China National Tobacco Corporation (中國煙草總公司職工進修學院)	70,814	81,436
40	Zhengzhou No. 7 People's Hospital (鄭州市第七人民醫院)	58,068	66,778
41	Zhengzhou Huahua Textile Trading Company (鄭州市華華紡織品貿易公司)	49,968	57,463
42	Zhengzhou City Heating Corporation (鄭州市熱力總公司)	28,326	32,575

	Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
43	Henan People's Publishing House Company Limited (河南人民出版社有限責任公司)	21,244	24,431
44	Songshan Hotel Zhengzhou (鄭州市嵩山飯店)	21,244	24,431
45	Zhengzhou City Yinhua Agency Service Company (鄭州市銀花代辦服務公司) (Dissolved) *the Shares sale procedures shall be handled by the Sales Office of Industrial and Commercial Bank of China Limited, Henan Branch (中國工商銀行股份有限公司河南省分行營業部) on its behalf*	14,163	16,287
46	Henan Songyue Company Limited (河南嵩嶽有限責任公司)	12,075	13,886
47	Yaoqiao Town Foundation of Jinshui, Zhengzhou (鄭州市金水區姚橋鄉基金會) (Liquidated) *the Shares sale procedures shall be handled by Xingda Road Office of Jinshui, Zhengzhou (鄭州市金水區興達路街道辦事處) on its behalf*	7,098	8,163
48	Miaoli Town Foundation of Jinshui, Zhengzhou (鄭州市金水區廟李鄉基金會) (Liquidated) *the Shares sale procedures shall be handled by Fengqing Road Office of Jinshui, Zhengzhou (鄭州市金水區豐慶路街道辦事處) on its behalf*	7,098	8,163
49	Zhengzhou Yifa Industrial Limited (鄭州市易發實業有限公司)	6,037	6,943
50	Henan Electric Power Scientific Test and Technology Institute Labor Service Company (河南省電力科試技術所勞動服務公司) (De-registered) *the Shares sale procedures shall be handled by the Electric Power Science Research Institute of State Grid Henan Electric Power Company (國網河南省電力公司電力科學研究院) on its behalf*	5,488	6,312

	Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
51	Zhengzhou City Erqi District Wulibao Labor Service Company (鄭州市二七區五里堡勞動服務公司)	4,582	5,269
52	Henan Provincial Textile Industry Department Labor Service Company (河南省紡織工業廳勞動服務公司) (currently known as The Textile Institute Service Centre of the State-owned Assets Supervision and Administration Commission of the People's Government of Henan Province (河南省人民政府國有資產監督管理委員會紡織機關服務中心))	2,744	3,156
53	Henan Textile Research Institute Limited (河南紡織研究院有限公司)	1,098	1,262
54	Henan Electric Power Survey & Design Institute Labor Service Company (河南省電力勘測設計院勞動服務公司)	549	631
55	Zhengzhou Administration for Industry and Commerce Living Service Centre (鄭州市工商行政管理局生活服務中心)	417	479
56	Youth Services Centre of Zhengzhou Foreign Mine Trading Company (鄭州外貿工礦公司青年服務部) (in liquidation) *the Shares sale procedures shall be handled by the liquidation receiver of Henan Zhengzhou Mineral Product Import and Export Company (河南省鄭州市工礦產品進出口公司的破產管理人)*	207	238
57	Zhengzhou Aluminium City Industrial Development Corporation (鄭州鋁城實業開發總公司)	41	48
58	Henan Zhengzhou Zhongyuan State Grain Reserve Depot (河南鄭州中原國家糧食儲備庫)	14	16
	Total	**120,000,000**	**138,000,000**

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 of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares including: (i) any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option; and (ii) the H Shares converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering and upon the exercise of the Over-allotment Option. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on December 23, 2015.

Our Domestic Shares may be converted to H Shares after obtaining the approval of 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 and the International 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 headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty. Please see Appendix VI — "Taxation and Foreign Exchange".

Dividends Payable to Holders of H Shares

Unless determined otherwise by us, 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.

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 we nor the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, nor their respective directors, 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, rules and 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;

(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, Supervisors, managers and officers whereby such Directors, Supervisors, managers 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 close associates (as such term is defined in the Listing Rules) of any of the Directors of our Bank 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 forth in "How to Apply for the Hong Kong Offer Shares" and the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in "Structure of the Global Offering".

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and the stabilization are set forth in "Underwriting".

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of 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. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into US dollars and Hong Kong dollars at specified rates. No representation is made that the amounts denominated in one currency could actually be converted into another currency at the rates indicated or at all. Unless we indicate otherwise, (i) the translation of Renminbi into US dollars was made at the rate of RMB6.3973 to US$1.00, the median rate released by the China Foreign Exchange Trading Center on December 1, 2015; (ii) the translation of Hong Kong dollars into US dollars was made at the rate of HK$7.7500 to US$1.00, the noon buying rate in effect on December 4, 2015 as set forth in the H.10 weekly statistical release of the Federal Reserve Board; and (iii) the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.82534 to HK$1.00, the median rate released by the China Foreign Exchange Trading Center on December 1, 2015. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or a hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

WAIVER FROM HONG KONG FINANCIAL DISCLOSURE REQUIREMENTS

Rule 4.10 of the Listing Rules states that the information to be disclosed in respect of Rule 4.04 to 4.09 must be in accordance with best practices under the Companies Ordinance and Hong Kong Financial Reporting Standards, IFRS or China Accounting Standards for Business Enterprises in the case of PRC issuers, and, in the case of banking companies, the "Financial Disclosure by Locally Authorized Institutions" ("FD-1") from the Supervisory Policy Manual issued by the HKMA.

The Banking Disclosure Rules issued by the HKMA ("Banking Disclosure Rules") replaces, inter alia, FD-1 and are applicable to relevant authorized institutions from the beginning of its financial year commencing on or after 1 January 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.

We are currently unable to fully comply with the disclosure requirements under the Banking Disclosure Rules for the reasons described below. We believe that the financial requirements that we are unable to comply with are immaterial to potential investors of the Global Offering.

Our position in relation to disclosures under the Banking Disclosure Rules

Section Number	Disclosure Requirements[1]	Reasons for a Waiver in Relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
47	Sector information	We maintain a breakdown of loans and advances to customers by industry sector as set out in the Classification and Codes of National Economic Industries in its loans system for the purpose of filing a return to CBRC.	For our Bank, all the loans and advances to customers are used in the PRC instead of in Hong Kong. We are subject to the supervision of CBRC and maintain a breakdown of loans and advances to customers by industry sector based on the classification system as prescribed by CBRC, e.g., loans are categorized into corporate loans and personal loans which are further classified into detailed subcategories by industry/nature. We have disclosed the loans and advances to customers in industry sectors in accordance with its management reports based on CBRC classification in Note 19(2) to the Accountants' Report as set out in Appendix I to this prospectus. We consider that the current disclosure is sufficient to serve HKMA's disclosure objectives.	N/A

Section Number	Disclosure Requirements[(1)]	Reasons for a Waiver in Relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
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 accounts are settled in RMB, which means that we 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 the standardized (credit risk) approach to calculate its credit risk for non-securitization exposures.	The computation basis for risks is promulgated by CBRC as set out in the Core Indicators (Provisional).	We can provide relevant capital structure and adequacy in accordance with the disclosure requirements from CBRC's requirements. We believe that such requirements attempt to address similar disclosure purpose as the requirements of the Banking Disclosure Rules.	N/A

(1) The relevant sections under the Banking Disclosure Rules for which we are currently unable to provide the required disclosures.

Save for the above, as a financial institution incorporated and based in the PRC, we are required to comply with the regulatory requirements of CBRC and PBoC.

Certain provisions of the Banking Disclosure Rules require disclosure in respect of our capital structure, capital base (in particular, relating to our level of capital adequacy), cross-border claims, liquidity ratios, PRC non-bank exposures and credit risks. We have maintained and compiled data in such respects in accordance with similar regulatory requirements of CBRC and PBoC. While we believe that 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 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 CBRC and PBoC regulations, and produce duplicative data for the purpose of the Banking Disclosure Rules.

As a result, we propose to disclose information which complies with CBRC and PBoC regulations in this regard instead of strictly following the disclosure regime provided for under the Banking Disclosure Rules, which will result in the compilation of similar data. We are of the view that this prospectus will contain sufficient information for investors to make their fully informed decision notwithstanding the difference between CBRC and PBoC requirements on the one hand, and the requirements of the Banking Disclosure Rules on the other. The Joint Sponsors concur with the view of the Bank based on the above.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 4.10 of the Listing Rules, such that we will not fully comply with the requirements in respect of financial disclosures provided for under the Banking Disclosure Rules on the condition that as soon as we obtain the relevant information, we must comply with the requirements under Rule 4.10 of the Listing Rules.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a member of The Hong Kong Institute of Chartered Secretaries;
- a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. FU Chunqiao ("Mr. FU") as one of the joint company secretaries. Mr. FU has been the secretary to the Board since June 2013. Mr. FU has extensive knowledge about the business operations and corporate culture of our Bank and has extensive experience in matters concerning the Board of Directors and corporate governance of our Bank. However, Mr. FU does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. As a result, we have appointed Ms. LEUNG Wing Han Sharon ("Ms. LEUNG"), who meets the requirements under Rule 3.28 of the Listing Rules, to act as another joint company secretary and to provide assistance to Mr. FU for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. LEUNG will work closely with Mr. FU to jointly discharge the duties and responsibilities as company secretary and assist Mr. FU to acquire the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Mr. FU will attend relevant trainings to enhance and improve his knowledge of and familiarity with the Listing Rules and other relevant laws, rules and regulations.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the condition that Ms. LEUNG is engaged as a joint company secretary and provides assistance to Mr. FU during this period. If Ms. LEUNG ceases to render assistance to Mr. FU during this period, the waiver will be immediately withdrawn. Upon expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. FU to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We and Mr. FU would then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. FU, having had the benefit of Ms. LEUNG's assistance, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules, so that a further waiver would no longer be necessary.

WAIVER IN RELATION TO MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of our business operations are outside of Hong Kong, and all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules on the condition of the following arrangements for maintaining regular communication with the Hong Kong Stock Exchange:

(a) we have appointed Mr. WANG Tianyu, the chairman of our Bank, and Mr. FU, a joint company secretary of our Bank, as authorized representatives for the purpose of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Hong Kong Stock Exchange. We have provided the Hong Kong Stock Exchange with the contact details of these authorized representatives, and they can be readily contactable to deal with inquiries from the Hong Kong Stock Exchange promptly, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. As and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters, each of these authorized representatives will have the means to contact all of the Directors promptly at all times;

(b) we have implemented such measures that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to these authorized representatives; and (ii) in the event that a Director expects to travel or otherwise be out of the office, he or she will provide the phone number of the place of his or her accommodation or means of communication to these authorized representatives;

(c) we have provided the Hong Kong Stock Exchange with the contact details of each Director (including their respective mobile phone number, office telephone number, fax number and email address) to facilitate communication with the Hong Kong Stock Exchange. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Hong Kong Stock Exchange within a reasonable period; and

(d) we have appointed a compliance advisor, BOCOM International (Asia) Limited, pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Hong Kong Stock Exchange, and the representative(s) of the compliance advisor will be fully available to answer inquiries from the Hong Kong Stock Exchange. The compliance advisor will have access at all times to the authorized representatives, the Directors and the other senior management of our Bank to ensure that it is in a position to provide prompt responses to any inquiries or requests from the Hong Kong Stock Exchange in respect of our Bank.

SUBSCRIPTION BY EXISTING MINORITY SHAREHOLDERS

Rule 10.04 of the Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

It is provided in Rule 10.03(1) of the Listing Rules that no securities may be offered to existing shareholders on a preferential basis and no preferential treatment may be given to them in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) shall be met. Paragraph 5(2) of Appendix 6 to the Listing Rules provides that no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the Global Offering unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules and paragraph 5(2) of Appendix 6 to the Listing Rules in respect of proposed placing of H Shares in the International Offering to certain existing minority shareholders of our Bank or their close associates.

The above waiver has been granted by the Hong Kong Stock Exchange on the conditions that:

(i) the existing minority Shareholders and their respective close associates:

  (a) are interested in not more than 2% of the Bank's voting rights before listing on the Hong Kong Stock Exchange;

  (b) are not core connected persons; and

  (c) do not have the power to appoint directors or any other special rights;

(ii) allocation to the existing minority Shareholders or their close associates will not affect the Bank's ability to satisfy the minimum public float requirement;

(iii) each of the Bank, the Joint Bookrunners and the Joint Sponsors (based on their discussions with and confirmations from the Bank and the Joint Bookrunners) confirm to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to the existing minority Shareholders and their close associates by virtue of their relationship with the Bank in any allocation in the International Offering; and

(iv) the relevant information in respect of the allocation to the existing minority Shareholders and/or their close associates will be disclosed in the allotment results announcement.

DIRECTORS

Executive Directors

Name	Residential Address	Nationality
Mr. WANG Tianyu (王天宇) *(Chairman)*	No.32, Block No.3 Courtyard No.32 Jingwu Road Jinshui District Zhengzhou Henan Province PRC	Chinese
Mr. ZHANG Rongshun (張榮順) *(Vice Chairman)*	Annex No.10, Block No.1 Courtyard No.20 Mianfang East Road Erqi District Zhengzhou Henan Province PRC	Chinese
Mr. SHEN Xueqing (申學清)	No.41, Block No.1 Courtyard No. 21 Jingyi Road North Jinshui District Zhengzhou Henan Province PRC	Chinese

Non-executive Directors

Name	Residential Address	Nationality
Mr. XU Jianxin (徐建新) *(Vice Chairman)*	No. 97 Huozhan Street Guancheng Hui District Zhengzhou Henan Province PRC	Chinese
Mr. FAN Yutao (樊玉濤)	No.45, Block No.1 Courtyard No.2 Beicang Zhongli Jinshui District Zhengzhou Henan Province PRC	Chinese

Name	Residential Address	Nationality
Mr. ZHANG Jingguo (張敬國)	No.401 Unit No.2, Block No.6 Jiaduo Liyuan Courtyard No.19 Dongsanhuan South Road Chaoyang District Beijing PRC	Chinese
Mr. LIANG Songwei (梁嵩巍)	No.36, Block No.1 Courtyard No.10 Shiqiao Street Jinshui District Zhengzhou Henan Province PRC	Chinese
Mr. MA Jinwei (馬金偉)	No.5, Block No.14 Courtyard No.128 Changjiang Central Road Erqi District Zhengzhou Henan Province PRC	Chinese
Mr. JI Hongjun (姬宏俊)	No.11, Block No.3 Courtyard No.27 Jing'er Road North Jinshui District Zhengzhou Henan Province PRC	Chinese
Mr. MA Lei (馬磊)	No.11, Block No.9 Courtyard No.30 Jingwu Road Jinshui District Zhengzhou Henan Province PRC	Chinese

Independent Non-executive Directors

Name	Residential Address	Nationality
Mr. WANG Shihao (王世豪)	Room 2103 No.1, Lane No.358 Fengyang Road Huangpu District Shanghai PRC	Chinese
Mr. LI Huaizhen (李懷珍)	No.4, Block No.303 Wangjingyuan Sanqu Chaoyang District Beijing PRC	Chinese
Mr. XIE Taifeng (謝太峰)	No.510, 5th Floor New Block No.5 Beijing Machinery Institute Haidian District Beijing PRC	Chinese
Mr. WU Ge (吳革)	11-104 Heshiyuan Xiaoqu Heqing Road Haidian District Beijing PRC	Chinese
Ms. CHAN Mei Bo Mabel (陳美寶)	1st Floor, Block 3 Repulse Bay Garden 32 Belleview Drive Repulse Bay Hong Kong	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. FAN Dalu (范大路) *(Chairman)*	No.11, Block No.17 Courtyard No.116 Huayuan Road Jinshui District Zhengzhou Henan Province PRC	Chinese
Mr. ZHU Zhihui (朱志暉)	No.20, Block No.2 Courtyard No.8 Wei'er Road Jinshui District Zhengzhou Henan Province PRC	Chinese
Ms. MENG Jun (孟君)	No.2, Unit No.1 Block 2 Courtyard No.167 Chengnan Road Guancheng Hui District Zhengzhou Henan Province PRC	Chinese
Mr. TANG Yunwei (湯雲為)	Block No.230 No.2388 Hongqiao Road Changning District Shanghai PRC	Chinese
Mr. LIU Yuhui (劉煜輝)	No.5 Jianguomen Neidajie Dongcheng District Beijing PRC	Chinese
Mr. ZHANG Shengping (張聖平)	No.207, Block No.312A Yanbeiyuan Peking University Haidian District Beijing PRC	Chinese

Name	Residential Address	Nationality
Ms. DUAN Ping (段萍)	Annex No.3, Block No.1 Courtyard No.20 Mianfang East Road Erqi District Zhengzhou Henan Province PRC	Chinese
Ms. ZHANG Chunge (張春閣)	No.81, Block No.8 Courtyard No.3 Yousheng South Road Jinshui District Zhengzhou Henan Province PRC	Chinese
Ms. CUI Huarui (崔華瑞)	No.15, Block No.1 Courtyard No.47 Taoyuan Road Erqi District Zhengzhou Henan Province PRC	Chinese

For more information on our Directors and Supervisors, please see "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	CITIC CLSA Capital Markets Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	BOCOM International (Asia) Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Central Hong Kong
Joint Global Coordinators	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Central Hong Kong
	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
	Orient Securities (Hong Kong) Limited 28-29/F, 100 Queen's Road Central Central Hong Kong
Joint Bookrunners	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Central Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Orient Securities (Hong Kong) Limited
28-29/F, 100 Queen's Road Central
Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Pan Asia Corporate Finance Limited
Unit 1504, 15th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

ABCI Capital Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Joint Lead Managers

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Central
Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Orient Securities (Hong Kong) Limited
28-29/F, 100 Queen's Road Central
Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Pan Asia Corporate Finance Limited
Unit 1504, 15th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Get Nice Securities Limited
(*in relation to Hong Kong Public Offering only)*
10th Floor, Cosco Tower
Grand Millennium Plaza
No.183 Queen's Road Central
Hong Kong

Legal Advisors to the Bank

As to Hong Kong and United States law:
King & Wood Mallesons
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

	As to PRC law: King & Wood Mallesons 20th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing PRC
Legal Advisors to the Joint Sponsors, the Hong Kong Underwriters and the International Purchasers	*As to Hong Kong and United States law:* Sullivan & Cromwell 28th Floor, Nine Queen's Road Central Central Hong Kong *As to PRC law:* Beijing Jincheng Tongda & Neal Law Firm 10th Floor, China World Tower 1 Jianguo Menwai Avenue Chaoyang District Beijing PRC
Reporting accountants / auditor	KPMG *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Receiving Banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

Registered Address and Address of Head Office	22 Shangwu Waihuan Road Zhengdong New District Zhengzhou Henan Province PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Website Address	**www.zzbank.cn** (*The contents of the website do not form a part of this prospectus*)
Joint Company Secretaries	Mr. FU Chunqiao 22 Shangwu Waihuan Road Zhengdong New District Zhengzhou Henan Province PRC Ms. LEUNG Wing Han Sharon *(FCS, FICS, FCCA, CPA)* 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. WANG Tianyu No. 32, Block No. 3 Courtyard No. 32 Jingwu Road Jinshui District Zhengzhou Henan Province PRC Mr. FU Chunqiao 22 Shangwu Waihuan Road Zhengdong New District Zhengzhou Henan Province PRC

Board Committees	**Audit Committee** Mr. XIE Taifeng (*Chairman*) Ms. CHAN Mei Bo Mabel Mr. JI Hongjun **Nomination Committee** Ms. CHAN Mei Bo Mabel (*Chairman*) Mr. WU Ge Mr. FAN Yutao **Remuneration and Assessment Committee** Mr. LI Huaizhen (*Chairman*) Mr. WANG Shihao Mr. ZHANG Jingguo **Strategic Development Committee** Mr. WANG Tianyu (*Chairman*) Mr. SHEN Xueqing Mr. ZHANG Rongshun Mr. XU Jianxin **Related Party Transactions Control Committee** Mr. WU Ge (*Chairman*) Mr. XIE Taifeng Mr. MA Jinwei **Risk Management Committee** Mr. WANG Shihao (*Chairman*) Mr. LIANG Songwei Mr. MA Lei
Compliance Advisor	BOCOM International (Asia) Limited 9th Floor Man Yee Building 68 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 relating to the industry in which we operate. We have extracted and derived such information, in part, from data relating to us which were prepared in accordance with IFRS, and from various official or publicly available sources derived from data prepared in accordance with PRC GAAP or other applicable GAAP or accounting standards which may differ from IFRS in certain significant respects. In addition, the information provided by the various official or publicly available sources may not be consistent with the information compiled within or outside China by third parties.

We believe that the sources of this 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 Selling Shareholders, the Joint Sponsors, the Joint Bookrunners, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon. As of the Latest Practicable Date, our Directors confirm that, after taking reasonable care, there has been no material adverse change in the market information presented in this section.

OVERVIEW

China's Economy

China is the second largest economy in the world. From 2009 to 2014, China's nominal GDP increased at a CAGR of 13.0% from RMB34,563 billion to RMB63,646 billion. China's economic growth has resulted in an increase in per capita disposable income. From 2009 to 2014, China's per capita disposable income of urban households grew at a CAGR of 10.9% from RMB17,175 to RMB28,844. The table below sets forth information on China's GDP and per capita disposable income of urban households for the years indicated.

	For the 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	63,646	13.0%
Per capita GDP (in RMB)	25,963	30,567	36,018	39,544	43,320	46,652	12.4%
Per capita disposable income of urban households (in RMB)	17,175	19,109	21,810	24,565	26,467	28,844	10.9%
Per capita disposable income of urban households growth rate (%)	8.8	11.3	14.1	12.6	7.7	9.0	N/A

Source: Website of National Bureau of Statistics of China, National Economic and Social Development Statistics Bulletin

Henan Province's Economy

Henan Province, located in Central China, ranked first among the 18 provinces in central and western regions of China and ranked fifth among all provinces in China, in terms of nominal GDP in 2014. Henan Province is the hub connecting eastern and western regions of China, embracing various industries which migrate from the coastal areas in southeast China. Henan Province has abundant natural resources and a comprehensive mix of industries, including particularly equipment manufacturing, non-ferrous metal and food industries. Henan Province is in the process of economic transformation and optimizing its industry structure.

Henan Province's economy has benefited and will continue to benefit from the implementation of the following PRC national strategies relating to "Henan Province amid the Rise of Central China Plan":

- "Central Plains Economic Zone (中原經濟區)". In September 2011, the State Council issued the Guiding Opinions of the State Council on Supporting Henan Province to Accelerate the Construction of Central Plains Economic Zone (《國務院關於支持河南省加

快建設中原經濟區的指導意見》), setting out a national strategic plan for the Central Plains Economic Zone, which intends to propel the industrialization, urbanization and agricultural modernization of Henan Province. This strategic plan also intends to promote the development of local financial institutions and financial markets and products, build multi-tiered capital markets and accelerate the development of the Zhengdong New District with centralized financial functions.

- "National Core Producing Area of Grains (國家糧食生產核心區)". In August 2008, the State Council proposed the Outline for the Construction of Henan Core Area of National Food Strategy (《國家糧食戰略工程河南核心區建設規劃綱要》). Based on this plan, it is expected that Henan Province will formulate a long-term sustainable growth plan for grain production.

The table below sets forth the GDP, value added of three major industries, fixed asset investments as well as total import and export volume of Henan Province from 2009 to 2014.

	For the year ended December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009-2014)
	(in billions of RMB, unless otherwise indicated and except percentages)						
Nominal GDP	1,948	2,309	2,693	2,960	3,219	3,494	12.4%
Value added of the primary industry	277	326	351	377	397	416	8.5%
Value added of the secondary industry	1,101	1,323	1,543	1,667	1,674	1,790	10.2%
Value added of the tertiary industry	570	661	799	916	1,148	1,288	17.7%
Total fixed asset investments	1,370	1,659	1,777	2,145	2,609	3,078	17.6%
Total import and export volume (in billions of US$)	13	18	33	52	60	65	38.0%

Source: Website of National Bureau of Statistics of China

Zhengzhou's Economy

As the capital of Henan Province, Zhengzhou is a city with high potential of economy development and high speed of economic growth. Benefiting from its location, Zhengzhou attracts trade business from all over China. According to The Plan of Central Plains Economic Zone (2012-2020) ("中原經濟區規劃 (2012-2020)"), Zhengzhou radiates a growing force to the entire Central Plains Zone, locating at the intersection of transportations between all major cities, and it connects industry-populated areas and populated towns and cities across the entire country. Zhengzhou had a GDP of RMB678 billion in 2014, contributing to 19.4% of the entire GDP of Henan Province in 2014.

Zhengzhou became a center for trade, business and transportation due to its historical reasons. Zhengzhou experienced a significant increase in import and export business since 2009, and the total import and export volume grew at a CAGR of 63.0% from 2009 to 2014. In March 2013, the State Council approved the Planning and Development of Zhengzhou Airport Economic Experimental Zone (《鄭州航空港經濟綜合實驗區發展規劃》), the first pilot airport economic zone under national strategic planning in China, which is envisioned to develop the Zhengzhou airport and its surrounding areas into an integrated hub for air, railway and highway transportation, an air-freight center and an airport-based metropolitan area. In 2014, the total import and export volume in the Zhengzhou Airport Economic Experimental Zone reached USD37.9 billion.

The table below sets forth the GDP, value added by three major industries, fixed asset investments as well as total import and export volume of Zhengzhou from 2009 to 2014.

	For the year ended December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009-2014)
	(in billions of RMB, unless otherwise indicated and except percentages)						
Nominal GDP	330	400	491	555	620	678	15.5%
Value added of the primary industry	10	12	13	14	15	15	8.5%
Value added of the secondary industry	180	227	290	321	347	377	15.9%
Value added of the tertiary industry	140	161	188	220	258	286	15.4%
Total fixed asset investments	229	276	300	367	451	536	18.5%
Total import and export volume (in billions of US$)	4	5	16	36	43	46	63.0%

Source: 2009-2014 Statistics report on Economic and Social Development of the City of Zhengzhou

CHINA'S BANKING INDUSTRY

Overview

Since the start of China's economic reforms in the late 1970s, China's banking system has been gradually transformed from a centralized, government-controlled system of providers of loans, with all central and commercial banking operations organized under PBoC, into a system in which banks in various ownership models provide a variety of financial services.

China's banking industry has grown rapidly in last decade, primarily driven by strong macroeconomic growth in China. From 2009 to 2014, aggregate Renminbi-denominated loans and deposits of China's banking institutions grew at a CAGR of 15.4% and 13.8%, respectively. The table below sets forth information on the aggregate RMB- and foreign currency-denominated loans and deposits of China's banking institutions at the dates indicated.

	At December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009-2014)
Renminbi-denominated bank loans (in billions of RMB)	39,968	47,920	54,794	62,991	71,896	81,677	15.4%
Renminbi-denominated bank deposits (in billions of RMB)	59,774	71,823	80,937	91,737	104,385	113,864	13.8%
Foreign currency-denominated bank loans (in billions of US$)	380	453	539	684	777	835	17.1%
Foreign currency-denominated bank deposits (in billions of US$)	209	229	275	406	439	573	22.3%

Source: PBoC

In last decade, the Large Commercial Banks, many Nationwide Joint-stock Commercial Banks and certain city commercial banks have improved their capital base, asset quality and profitability through private placements, public offerings and adopting the management practices in line with international standards.

The table below sets forth certain information on China's banking industry by type of banking institution for the year ended and at December 31, 2014.

	Number of institutions	Total assets			Total equity attributable to shareholders			Profit after tax		
		Amount	Market share	CAGR (2009-2014)	Amount	Market share	CAGR (2009-2014)	Amount	Market share	CAGR (2009-2014)
	(in billions of RMB, except the number of institutions and percentage)									
Large Commercial Banks ..	5	71,014	41.2%	11.7%	5,301	43.1%	19.3%	890	46.2%	17.3%
Joint stock commercial banks	12	31,380	18.2%	21.6%	1,916	15.6%	27.7%	321	16.7%	28.3%
City commercial banks	133	18,084	10.5%	26.1%	1,247	10.1%	28.3%	186	9.6%	30.2%
Rural cooperative financial institutions(1)	2,350	21,316	12.4%	19.8%	1,520	12.3%	28.7%	234	12.1%	35.5%
Foreign banks....................	41	2,792	1.6%	15.7%	309	2.5%	13.0%	20	1.0%	25.0%
Other banking institutions(2)	1,550	27,724	16.1%	19.9%	2,018	16.4%	22.7%	277	14.4%	32.3%
Total	4,091	172,310	100.0%	16.7%	12,311	100.0%	22.6%	1,928	100.0%	23.6%

Source: CBRC Annual Report 2014

(1) Comprises rural credit cooperatives, rural commercial banks and rural cooperative banks.

(2) Comprises policy banks, Postal Savings Bank of China, other non-banking institutions (including financial asset management companies, Sino-German Buasparkasse, trust companies, group financial companies, financial leasing companies, money brokerage firms, automobile financing companies, consumer finance companies), rural banks, lending companies and rural cooperative financial institutions.

City Commercial Banks

City commercial banks are banks with branches at the municipal or higher levels, created under the PRC Company Law and the PRC Commercial Banking Law from predecessor urban credit cooperatives with the approval of CBRC. In 1995, the State Council decided to restructure urban credit cooperatives into city cooperative banks, renamed as city commercial banks in 1997. According to CBRC's 2014 Annual Report, as of December 31, 2014, there were 133 city commercial banks in China. City commercial banks have played active roles in maintaining regional financial stability, promoting market competition, facilitating access to financial services, and easing funding pressures for SMEs. According to CBRC, the total assets of city commercial banks as a percentage of total assets of the banking industry in China increased from 7.1%, or RMB5,680 billion, at December 31, 2009 to 10.5%, or RMB18,084 billion, at December 31, 2014, representing a CAGR of 26.1%, higher than other types of commercial banks. In addition, some city commercial banks have, in accordance with regulations issued by CBRC, begun developing diversified business models, such as establishing consumer finance companies and financial leasing companies, and investing in equity interests in insurance companies.

Leveraging their understanding of local markets and relationships with local customers, city commercial banks are generally well-positioned to capture opportunities and market trends in local areas. According to CBRC, between 2009 and 2014, total assets and shareholders' equity of city commercial banks grew at CAGRs exceeding those of the Large Commercial Banks and Nationwide Joint-stock Commercial Banks.

The table below sets forth certain information relating to city commercial banks in China at the dates indicated.

	At December 31,					
	2009	2010	2011	2012	2013	2014
	(in billions of RMB, except percentages)					
Assets	5,680	7,853	9,985	12,347	15,178	18,084
Liabilities	5,321	7,370	9,320	11,540	14,180	16,837
Shareholders' equity	359	482	664	808	997	1,247
Profit after tax	50	77	108	137	164	186
NPL ratio	1.3%	0.9%	0.8%	0.8%	0.9%	1.2%

Source: CBRC Annual Report 2014, CBRC website

HENAN PROVINCE'S BANKING INDUSTRY

With the economic growth of Henan Province, the banking industry in Henan Province has also achieved rapid growth. According to the Henan Statistical Yearbook published by the Statistical Bureau of Henan Province, at December 31, 2014, the total deposit and loans of the financial institutions in the banking industry of Henan Province were RMB2,758.3 billion and RMB4,193.1 billion, representing CAGRs of 15.3% and 16.8% as compared to December 31, 2009, respectively.

The table below sets forth the total balance and average CAGR of the deposits and loans of financial institutions in the banking industry of Henan Province at the end of each of the years from 2009 to 2014.

	At December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009-2014)
	(in billions of RMB, except percentages)						
Total loans	1,355.9	1,600.7	1,764.9	2,030.2	2,351.1	2,758.3	15.3%
Total deposits	1,928.9	2,324.7	2,677.5	3,197.0	3,759.1	4,193.1	16.8%

Source: 2009-2014 Analysis report on financial operation of Henan Province

ZHENGZHOU'S BANKING INDUSTRY

With Zhengzhou's economy growth, the Zhengzhou banking industry has achieved high growth. According to CBRC Henan Office, at December 31, 2014, the total deposit and loans of the financial institutions in Zhengzhou banking industry were RMB 1,114.8 billion and RMB 1,441.2 billion, representing CAGRs of 17.5% and 16.9% as compared with December 31, 2009, respectively.

The table below sets forth the total balance and average CAGR of the deposits and loans of financial institutions in the banking industry of Zhengzhou at the end of each of the years from 2009 to 2014.

	At December 31,						CAGR
	2009	2010	2011	2012	2013	2014	(2009 to 2014)
	(in billions of RMB, except percentages)						
Total loans	497.1	576.9	615.7	696.4	968.1	1,114.8	17.5%
Total deposits	659.3	804.1	902.7	1,069.8	1,290.8	1,441.2	16.9%

Source : CBRC Henan Office

COMPETITIVE LANDSCAPE

We have strong profitability with sound key performance indicators compared with other city commercial banks in the PRC. The table below sets forth our key performance indicators as compared to those of the Listed PRC City Commercial Banks at and for the year ended December 31, 2014.

	Total assets	Net profit	Net interest margin(1)	Net interest spread(2)	NPL ratio(3)	Allowance to NPL ratio(4)	Return on average total assets(5)	Return on average equity(6)	CAGR of total assets (2012-2014)	CAGR of net profit (2012-2014)
	(In millions of RMB, except for percentages)									
The Bank	204,289	2,463	3.31%	3.07%	0.75%	301.66%	1.39%	23.5%	40.3%	29.9%
Bank of Chongqing Co., Ltd	274,531	2,827	2.81%	2.56%	0.69%	318.87%	1.17%	19.2%	32.6%	21.2%
Huishang Bank Corporation Limited	482,764	5,676	2.74%	2.47%	0.83%	255.27%	1.31%	16.7%	22.0%	14.8%
Harbin Bank Co., Ltd	343,642	3,841	2.71%	2.49%	1.13%	208.33%	1.15%	15.5%	12.8%	15.7%
Shengjing Bank Co., Ltd	503,371	5,424	2.32%	2.07%	0.44%	387.42%	1.26%	18.8%	26.8%	24.3%
Bank of Qingdao Co., Ltd.	156,166	1,495	2.43%	2.25%	1.14%	242.34%	1.02%	16.6%	23.9%	27.5%
Bank of Jinzhou Co., Ltd.	250,693	2,123	2.63%	2.43%	0.99%	256.15%	1.00%	15.6%	42.6%	34.6%
Bank of Beijing Co., Ltd	1,524,437	15,646	N/A	N/A	0.86%	324.22%	1.09%	18.0%	16.7%	15.7%
Bank of Nanjing Co., Ltd	573,150	5,656	2.59%	2.41%	0.94%	325.72%	1.12%	19.0%	29.1%	18.3%
Bank of Ningbo Co., Ltd	554,113	5,634	2.51%	2.50%	0.89%	285.17%	1.11%	19.5%	22.4%	17.7%

Source: 2012-2014 Annual Reports and Prospectuses of the Listed PRC City Commercial Banks

(1) Calculated by dividing net interest income by average balance of total interest-earning assets.

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

(3) Calculated by dividing total non-performing loans by total loans to customers. Although our loan classification criteria are in compliance with the guidelines set forth by CBRC, certain of our loan classification criteria may not be the same as those adopted by other PRC commercial banks. For details on our loan classification criteria and related risks, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Loan Classification Criteria" and "Risk Factors — Risks relating to the PRC Banking Industry — Our loan classification and provisioning policies may be different in certain respects from those applicable to other PRC commercial banks and banks in certain other countries or regions".

(4) Calculated by dividing allowance for impairment losses by total non-performing loans.

(5) Calculated by dividing net profit by average total assets.

(6) Calculated by dividing net profit by average total shareholders' equity.

With the stable economic growth in Henan Province, the banking industry of Henan Province has recorded rapid expansion. According to CBRC Henan Office, at December 31, 2014, the total loans and deposits of financial institutions in Henan Province were RMB2,758.3 billion and RMB4,193.1 billion, respectively. As a city commercial bank based in Henan Province, we mainly compete with other commercial banking institutions with operations in Henan Province. At December 31, 2014, our total asset, total customer deposits, total loans to customers and total equity were RMB204,289 million, RMB132,561 million, RMB77,986 million, RMB11,405 million, respectively. In 2014, our net profit was RMB2,463 million. According to CBRC Henan Office, we ranked second among all city commercial banks headquartered in Henan Province in terms of total asset, total customer deposits, total loans, and total equity as of December 31, 2014 and net profits in 2014.

According to CBRC Henan Office, as of December 31, 2014, we ranked first among all Chinese commercial banks with operations in Zhengzhou in terms of total assets in Zhengzhou.

INDUSTRY TRENDS

Interest Rate Liberalization and Financial Disintermediation Further Promoting the Development of Fee- and Commission-based Business

In the PRC, interest rates on Renminbi-denominated loans and deposits are set by commercial banks with reference to the benchmark interest rates on loans and deposits published and adjusted from time to time by PBoC. In recent years, China continued gradual moves towards market-based lending and deposit rates, as part of the government's greater efforts to reform the financial system to support its balanced and sustainable growth. Recent policy moves suggest that interest rate liberalization is accelerating. Effective June 8, 2012, PBoC allowed financial institutions to set interest rates on Renminbi-denominated deposits at up to 110% of PBoC benchmark rates. On July 20, 2013, PBoC abolished the floor rates for Renminbi-denominated loans (excluding interest rates on residential mortgage loans) and allowed financial institutions to set interest rates on loans based on commercial considerations. On November 22, 2014, PBoC allowed financial institutions to set interest rates on Renminbi-denominated deposits at up to 120% of PBoC benchmark rates, which was raised to 130% and then 150% of PBoC benchmark rates effective March 1, 2015 and May 11, 2015, respectively. Effective August 26, 2015, PBoC removed the cap on the interest rates on Renminbi-denominated time deposits with tenors over one year while the cap on the interest rates on Renminbi-denominated demand deposits and time deposits with tenors up to one year remained unchanged. Effective October 24, 2015, PBoC removed the cap on interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on commercial considerations.

Recently, PBoC consecutively lowered the benchmark interest rates on Renminbi-denominated loans and deposits, bringing the benchmark rate on one-year deposits from 3.00% before November 22, 2014 to 1.50%, effective October 24, 2015. The recent benchmark interest rate cuts, together with the lifting of the cap on deposit interest rates, are expected to narrow down net interest spreads and net interest margin of commercial banks in China, including us. In addition, effective April 20, 2015, August 26, 2015 and October 24, 2015, PBoC announced consecutive cuts in the statutory deposit reserve ratio, or required reserve ratio (RRR), by 100bp, 50pb and 50pb, respectively, for all deposit-taking financial institutions, which is believed to reduce banks' funding cost and increase their liquidity. Many of these monetary policies have had impact on lending activities of PRC commercial banks and borrowers' demand for and access to bank financing, which in turn has affected the business performance and results of operations of PRC commercial banks.

The above-mentioned interest rate liberalization steps, along with the implementation of the Deposit Insurance Regulation effective May 1, 2015, are likely a precursor to further liberalization of interest rates in China. In the long run, this may benefit banks by enabling them to set their interest rates on customer loans and deposits with more flexibility. However, the overall impact of interest rate liberalization on PRC banks' profits and margins, especially in the short term, is generally seen to bring uncertainties to banks in China. Interest rate liberalization may intensify competition in China's banking industry as China's commercial banks are expected to offer customers more favorable interest rates, which could narrow the banks' (including our Bank) net interest spreads and net interest margin and affecting the banks' (including our Bank) results of operations.

In the meantime, with the evolution of financial markets, the diversification and personalization of customer demands and the development of China's capital markets and Internet finance markets, there has been a trend of financial disintermediation, with corporates increasingly raising funds at the capital markets at relatively lower costs than borrowing bank loans, and individuals increasingly investing in securities, investment funds and other alternative products, seeking higher returns.

As a result of interest rate liberalization and financial disintermediation, Chinese commercial bank business is being transformed, leading banks to increase their efforts to provide diversified financial products and services, especially fee- and commission-based products and services, such as investment banking, wealth management and alternative investment services.

Strengthened Regulation and Supervision

In recent years, CBRC and other PRC regulatory authorities have promulgated a number of regulatory measures in an effort to enhance the regulation and supervision of the PRC banking industry. Such measures targeted at, among other things, improving corporate governance, enhancing risk management, strengthening supervision over capital adequacy, tightening the regulation of wealth management products, and improving the regulation of related-party transactions and Internet finance.

In particular, following the issuance of Basel III in December 2010, on April 27, 2011, CBRC issued new guidelines setting more stringent capital adequacy, leverage, liquidity and loan loss provisioning requirements for PRC banks in accordance with the reform of China's banking industry and the related regulatory framework. On June 7, 2012, CBRC further issued the Capital Administrative Measures, which set a stricter definition of capital, expanded the risk coverage of capital and enhanced the capital constraint mechanism of commercial banks. In addition, the regulation reduced the risk-weighting of loans to small and micro enterprises and personal loans, which is expected to lower the credit costs of commercial banks in making these loans and lead commercial banks to offer stronger credit support to small and micro enterprises as well as individual consumers.

CBRC has also issued a series of regulatory requirements on the real estate industry and local government financing vehicles, wealth management products as well as interbank business, requiring commercial banks in China to strengthen risk control over each of these types of business.

For further information on strengthened regulation of the PRC banking industry, please see "Supervision and Regulation".

Increasing Importance of Banking Services to Small and Micro Enterprises

According to the Development Research Center of the State Council, as of December 31, 2013, there were approximately 11.7 million registered small and micro enterprises, accounting for 76.6% of the total number of enterprises registered in China. However, small and micro enterprises' demands for financing have, for a long time, been poorly addressed. According to PBoC, at December 31, 2014, loans to small and micro enterprises amounted to RMB15.5 trillion, representing 30.4% of total corporate loans. In recent years, the State Council, PBoC and CBRC have issued a number of policies and measures to incentivize the development and offering of innovative financial products and credit services to small and micro enterprises and increase lending to them. These policies and measures include the following:

- In March 2013, CBRC issued the Notice on Deepening Financial Services for Small and Micro Enterprises (《關於深化小微企業金融服務的意見》), urging commercial banks to improve their service quality and expand financial product offerings, financing channels and network coverage for small and micro enterprises. This notice also reinforced the policy to lift certain geographic restrictions on opening sub-branches for the commercial banks whose credit business for small and micro enterprises meets certain conditions.
- In August 2013, the General Office of the State Council issued the Implementation Opinions on Financial Support to Developing Small and Micro Enterprises (《關於金融支持小微企業發展的實施意見》) and CBRC issued the Guiding Opinions on Further Enhancing Financial Service Work 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》), providing policy supports to service innovations, credit enhancement and information services as well as direct financing channels, and financial and tax supports to small and micro enterprises, reinforcing the requirements that (i) the growth rate of loans extended by each banking institution to small and micro enterprises be no lower than their respective average growth rate of loans; and (ii) the incremental loans of each banking institution to small and micro enterprises be no less than those of the previous year.
- In June 2014, PBoC lowered the RMB statutory deposit reserve ratio by 0.5 percentage point for commercial banks which satisfied the prudent operational requirements for granting loans to small and micro enterprises and borrowers in the agricultural industry or rural areas or farmers. In February 2015, the RMB statutory deposit reserve ratio for commercial banks that satisfy conditions mentioned above was further lowered by 0.5 percentage point.
- In July 2014, CBRC issued the Notice on the Improvement and Innovation of Loan Services for Small and Micro Enterprises to Improve the Quality of Financial Services to 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 maturities to support the working capital needs of small and micro enterprises, to expand and refine

working capital loan product offerings to small and micro enterprises, and to actively explore innovative models to provide working capital loans to small and micro enterprises. It also requires banking financial institutions to accurately classify loan risks and practically implement risk management for small and micro enterprise borrowers with an aim to improve the technology and quality of financial services to small and micro enterprises.

In addition, the growing bargaining power of large corporate borrowers, as a result of the gradual liberalization of interest rates and the increasing availability of alternative financing channels, has contributed to the increased focus of the banking industry on lending to small and micro enterprises, which has grown rapidly in recent years. With the support from government policies and the initiatives taken by banking institutions in China, it is expected that banking services to small and micro enterprises will become more important in the overall commercial banking business in China.

Increasing Demands for Personal Finance

With the rapid growth in the PRC economy, the per capita income of domestic residents in China has been increasing in the past three decades. According to NBS, urban households' per capita consumption spending in cash in China increased from RMB17,175 in 2009 to RMB28,844 in 2014, at a CAGR of 10.9%, which indicates the increasing consumptions of domestic residents. Meanwhile, the demands for financial services have gradually increased, along with rapid growth in personal credit and personal payment in the banking industry. In addition, the boom of various new payment methods, such as online banking, third-party payment and mobile payment, has also contributed to the rapid growth in personal finance business.

The table below sets forth the per capita disposable income of PRC domestic urban residents, the total amount of Renminbi-denominated deposits of PRC urban and rural residents, the total amount of PRC domestic personal Renminbi-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	26,467	28,844	10.9%
Total amount of Renminbi-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 Renminbi-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	20.3%	23.3%	24.6%	25.3%	27.3%	28.0%	N/A

Source: National Bureau of Statistics of China, PBoC, National Economic and Social Development Statistics Bulletin

In addition to the traditional personal finance business, the continued growth in private wealth markets in recent years has brought in robust demands for wealth management services in the banking industry in China. According to the China Private Wealth Report (2015) jointly issued by Bain & Company and China Merchants Bank, the amount of personal investable assets held by PRC citizens reached RMB112 trillion in aggregate in 2014, with an average CAGR of 16% from 2012 to 2014. The population of high-net-worth individuals in the PRC who have investable assets of more than RMB10 million increased every year. In 2014, the population of high-net-worth individuals in the PRC exceeded 1 million for the first time, with an average CAGR of 21% from 2012 to 2014.

In view of the rapid growth in household disposable income, an expanding class of wealthy individuals and the growing demands for wealth management services, commercial banks in China have commenced to offer customized and professional services, such as asset management, wealth management and private banking services, to mass affluent and affluent retail customers and high-net-worth individual customers. It is expected that this type of business will have growth potential in the PRC banking industry.

Development of China's Capital Markets and Internet-based Financial Services Platforms

Recently, China has launched a number of initiatives to develop and open up its capital markets, including replacing regulatory approval procedures with registration requirements for offering asset backed securities, deregulating public offerings of corporate bonds and permitting private placements of bonds upon registration, launching the Shanghai-Hong Kong Stock Connect and mutual recognition of funds between Mainland China and Hong Kong, as well as the expected launch of a registration-based initial public offering regime. These developments may adversely affect the core banking business of Chinese banks. For example, the deepening of China's debt capital markets may impact banks' lending business, as certain corporate borrowers may replace bank loans with issuances of relatively lower-cost debt securities. Additionally, the booming stock markets in China have led to a shift of funds out of banks' customer deposit accounts into the stock markets, which may affect banks' ability to maintain the size of customer deposits as a low-cost funding source. On the other hand, the development of China's capital markets may allow banks to expand fee- and commission-based business, such as investment banking business and distribution of mutual funds, and broaden the scope of banks' investment securities, such as asset backed securities, which may offer higher yields than traditional investments.

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, effectively transforming certain Internet companies into some of the largest fund managers in China. 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 certain portion of online transactions are paid for by credit or debit cards issued by banks, third-party payment solutions are becoming predominating in China, indicating that Internet companies are playing an increasingly important role in China's payment system. The total third-party online payments amounted to RMB8,076.7 billion in 2014, representing an increase of 50.3% from the same period of 2013. PRC commercial banks also face competitions from other types of Internet finance, such as P2P lending and crowdfunding.

Although the Internet-based financial services industry remains in its infancy, it has significant growth potential in China. It is believed that Internet finance and online banking will continue its rapid growth in the near term with closer regulatory scrutiny. Faced with the increasing competition from the fast-growing Internet-based financial services platforms, PRC commercial banks adopted innovative development measures, such as the establishment of e-commerce platforms to provide intermediary services for direct lending between individuals and the set-up of online sales platforms for their financial products. Certain commercial banks tried to improve operating efficiency and risk management by utilizing bulk data technology. In addition, some PRC commercial banks launched direct sale banking services to provide customers with user-friendly, transparent and value-for-money financial products and services entirely through e-channels.

Expanded Business of PRC Banks

With the publication of revised draft of the PRC Commercial Banking Law and continued interest rate liberalization, it is anticipated that the business scope of PRC banks will expand in the future. Recently, several banks have announced their plans on introducing new types of institutional investors, seeking additional licenses and launching employee stock ownership schemes.

Licenses of trust, fund management, insurance and financial leasing have gradually been made available to PRC banks. It is anticipated that PRC banks will, in the future, be permitted to offer further diversified financial products and services, including, for example, securities brokerage, equity investment and assets management. However, given that changes to the current laws and regulations as well as the banking regulatory regime are required to allow banks to conduct these new lines of business, the timeline for banks like us to be permitted to expand into such new business, is expected to be prolonged.

OVERVIEW

The banking industry in the PRC is highly regulated. The principal regulatory authorities of the PRC banking industry include CBRC and PBoC. CBRC is responsible for supervising and regulating banking institutions. PBoC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies. The principal laws and regulations 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 respective rules and regulations established thereunder.

HISTORY AND DEVELOPMENT OF THE REGULATORY FRAMEWORK

Established on December 1, 1948, 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 PBoC was the central bank of the PRC and the regulatory authority of 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 promulgated. The PRC PBoC Law, which was promulgated in March 1995, provided for the scope of responsibilities and the organizational structure of PBoC, and authorized PBoC to administer the Renminbi, implement monetary policies and regulate and supervise the PRC financial industry. The PRC Commercial Banking Law was promulgated in May 1995 and set out the fundamental principles of operations for PRC commercial banks.

Since 1995, the regulatory regime of the PRC banking industry has undergone further significant reform and development. CBRC was established in April 2003 and took over from PBoC its role as the primary regulator of the PRC banking industry. CBRC was mandated to implement reforms, minimize 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 and, on February 1, 2004, the PRC Banking Supervision and Regulatory Law (《中國銀行業監督管理法》) came into effect. The PRC Banking Supervision and Regulatory Law sets out the regulatory functions and responsibilities of CBRC.

On August 29, 2015, the Standing Committee of the National People's Congress promulgated the Decision of the Standing Committee of the National People's Congress on the Amendment to the PRC Commercial Banking Law (《全國人民代表大會常務委員會關於修改〈中華人民共和國商業銀行法〉的決定》). The amended PRC Commercial Banking Law shall be effective from October 1, 2015.

PRINCIPAL REGULATORS

CBRC

Functions and Powers

CBRC is the principal regulatory authority in the PRC responsible for the supervision and regulation of banking institutions operating in 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. 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 the above-mentioned banking and non-banking financial institutions. According to the PRC Banking Supervision and Regulatory Law and relevant regulations, 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 licenses to commercial banks and their branches;
- regulating the business activities of banking institutions, including their products and services;
- 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;
- establishing emergency programs with relevant authorities and formulating emergency plans;
- imposing corrective and punitive measures for violations of applicable banking regulations;
- preparing and publishing statistics and financial statements of national banking institutions; and
- taking over or procuring the restructuring of a banking institution which may materially impact the rights and interests of depositors and other customers when there is, or is likely to be, a credit crisis.

Examination and Supervision

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 and electronic data systems, 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 maintained by the bank. Off-site surveillance generally includes reviewing business reports, financial statements and other reports regularly submitted by banks to CBRC.

If a banking institution is not in compliance with an applicable banking regulation, CBRC is authorized to impose corrective and punitive measures, including imposing fines, ordering the suspension of certain business activities, withholding the approval for engaging in new businesses, 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 CBRC, CBRC may order the banking institution to suspend operations and may revoke its financial-business license. When there is, or is likely to be, a credit crisis within a banking institution, which may materially impact the rights and interests of depositors and other customers, CBRC may take over or procure the restructuring of, such banking institution.

PBoC and Inter-departmental Coordination Joint Meeting for Financial Supervision

As the central bank of the PRC, 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, PBoC is empowered to perform the following primary duties:

- issuing and implementing orders and regulations in relation to its duties;
- formulating and implementing monetary policy in accordance with the law;
- issuing the Renminbi and administering its circulation;
- regulating the interbank lending market and the interbank bond market;
- implementing foreign exchange controls and regulating the interbank foreign exchange market;
- regulating the gold market;
- holding, administering and managing state foreign exchange reserves and gold;
- managing the national treasury;
- safeguarding the normal operation of payment and clearing systems;
- guiding and orchestrating the financial industry in its anti-money laundering activities and taking responsibility for monitoring fund flows in respect of anti-money laundering;
- taking responsibility for financial industry statistics, surveys, analysis and forecasts; and
- participating in international financial activities as the central bank of the PRC.

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 authorizes PBoC to take the lead at the joint meetings, with CBRC, CSRC, CIRC and SAFE as the primary members. NDRC and MOF may be invited to attend the joint meetings, when necessary.

MOF

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

- issuing and implementing financial and taxation strategies, plans, policies and reform measures;
- drafting laws, regulations and rules concerning fiscal, financial and accounting management;
- managing state-owned financial assets, administering the appraisal of state-owned assets and participating in drafting rules governing the management of state-owned financial assets; and
- supervising the implementation of financial and tax rules and policies, reporting on critical issues in the management of fiscal revenues 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 SAFE, SAIC, CSRC, CIRC, NAO, SAT and NDRC.

LICENSING REQUIREMENTS

Basic Requirements

Currently, the establishment of a city commercial bank requires CBRC's approval and issuance of a business license. Pursuant to the current regulatory requirements, CBRC will generally not approve an application to establish a city commercial bank unless certain conditions are satisfied, including but not limited to:

- the articles of association are in compliance with the relevant requirements of the PRC Company Law (《中國公司法》) and the PRC Commercial Banking Law;

- the registered capital must be paid-in capital, and the minimum registered capital is RMB100 million for a city commercial bank;
- the directors and senior management possess the requisite qualifications and the proposed commercial bank has qualified practitioners who are familiar with the banking business;
- the organizational structure and the management system are sound;
- the business premises, safety and security measures and other facilities are suitable for business operation; and
- the information technology structure which satisfies the needs of business operation has been set up, the information technology system supporting business operation is necessary, safe and complies with the relevant laws and regulations, and possesses the technologies and measures to ensure its effectiveness and safety.

Significant Changes

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

- change of name of headquarters, a branch or a sub-branch;
- change of registered capital;
- change of domicile of headquarters, a branch or a sub-branch;
- adjustment of business scope;
- change of form of organization;
- change of shareholders holding 5% or more of the bank's total capital or shares;
- investments in the equity interest in the bank by an overseas financial organization;
- amendments to the articles of association;
- opening or closing a branch or a sub-branch;
- merger or spin-off; and
- dissolution and bankruptcy.

Establishment of Branches

Branches within the province (or autonomous regions or directly administered municipalities) where the bank is registered

To establish a local branch, a city commercial bank must apply to the relevant local office of CBRC in the province (or autonomous regions or directly administered municipalities) where it is registered for approval and issuance of a finance license. On April 16, 2009, the General Office of CBRC issued the Opinions on Adjusting the Licensing Policies for the Establishment of Branch Outlets by Small- and Medium-Sized Commercial Banks (for Trial Implementation) (《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)》), pursuant to which:

- the establishment of branches and sub-branches by city commercial banks is no longer subject to the unified working capital requirement; and

- the number of branches and sub-branches of a city commercial bank within the province (autonomous region or directly administered municipality) where it is registered is no longer subject to any limit.

On February 16, 2013, CBRC issued the Circular of the General Office of CBRC on Improving Rural Financial Services in 2013 (《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》), 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 beyond its residence province.

Branches outside the bank's residence province (or autonomous region or directly administered municipality) where the bank is registered

For a city commercial bank to establish branches outside the province (or autonomous region or directly administered municipality) where it is registered, an approval from CBRC is required. The Opinions on Adjusting the Licensing Policies for the Establishment of Branch Outlets by Small- and Medium-Sized Commercial Banks (for Trial Implementation) (《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)》) provides for a "Three-Step" principle for establishing branches by a city commercial bank outside the province (or autonomous region or directly administered municipality) where it is registered, i.e., opening branches within the province where it is registered preceding opening any branch in other provinces; opening branches within the local economic region preceding opening any branch in other economic regions; and, thereafter opening branches without geographical restrictions in the country. Since 2011, CBRC has temporarily suspended approval on new applications from city commercial banks seeking to expand and establish branches outside their residence provinces. We have no branches outside Henan Province so far. We are subject to CBRC's temporary suspension on the expansion of city commercial banks beyond their residence province and further changes thereto. Our application to establish new branches in Henan Province will not be affected by CBRC's temporary suspension policy.

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, payment 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 make 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 set forth their scope of business in their articles of association and submit their articles of association to CBRC or its local branches for approval. Currently, subject to approval by SAFE or its local branches, commercial banks may engage in settlement and sales of foreign exchange.

REGULATION ON PRINCIPAL COMMERCIAL BANKING ACTIVITIES

Lending

To control risks relating to the extension of credit, PRC banking regulations require commercial banks to: (i) establish a strict and centralized credit risk management system; (ii) set up standard operating procedures for each step in the extension of credit process, including conducting due diligence investigations before granting credit facilities, monitoring borrowers' repayment ability and preparing credit assessment reports on a regular basis; and (iii) appoint qualified risk control personnel.

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

CBRC and other relevant authorities have issued a number of regulations and rules concerning loans and credit granted. Set out below is a summary of some of these rules and regulations.

- Under the Guidelines on Risk Management of Mergers and Acquisitions Loans for Commercial Banks (《商業銀行併購貸款風險管理指引》) promulgated by CBRC on February 10, 2015, commercial banks are required to establish and implement business procedures and internal control systems after reporting the same to CBRC. A commercial bank may not finance mergers and acquisitions unless it has, amongst others: (i) a sound risk management system and an effective internal control system; (ii) a capital adequacy ratio of no less than 10%; (iii) all regulatory indicators comply with regulatory requirements; and (iv) there is a professional team responsible for due diligence and risk assessment of merger and acquisition loans. These guidelines also set out requirements on assessment and control of risks associated with mergers and acquisitions, such as overall strategic risk, legal and compliance risk, integration risk, operational risk and financial risk. Where cross-border transactions are involved, analysis on, among other things, country risk, exchange rate risk and risk of cross-border remittance of funds are also required. The total balance of merger and acquisition loans approved by a commercial bank is subject to a cap of no more than 50% of its net tier-one capital for the corresponding fiscal period. Commercial banks are required to set up a corresponding exposure limits system for merger and acquisition loans by individual customer, group customer, industry, and country or region, in accordance with its business development strategies for merger and acquisition loans business, and report to CBRC or its branch. The balance of merger and acquisition loans approved by a commercial bank to an individual borrower may not exceed 5% of the net tier-one capital of the bank for the corresponding fiscal period. A merger and acquisition loan may not exceed 60% of the underlying transaction price. The tenor of merger and acquisition loans may not exceed seven years;

- Under the Interim Measures for the Administration of Fixed Asset Loans (《固定資產貸款管理暫行辦法》) promulgated by CBRC on July 23, 2009, commercial banks are required to improve their internal control system, manage the entire lending cycle, establish a risk management system for fixed asset loans and an effective mechanism for balancing different positions. Commercial banks are also required to strengthen the management of the use of loan proceeds and improve the management of loan extension and repayment. In addition, commercial banks are required to agree with borrowers on contractual terms that are material to controlling credit risks, and establish a loan quality monitoring system and a loan risk alert system; and

- The Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), promulgated by CBRC, effective 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 get full access to customer information. Commercial banks are required to take reasonable and prudent measures to assess the borrower's actual borrowing needs based on its business operations. The amount of loans granted may not exceed the borrower's actual working capital needs 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 in fixed assets, equity investments or for other prohibited purposes.

In addition, CBRC and other relevant authorities have issued a number of regulations and rules concerning loans and credit granted to certain specified industries and customers in an effort to control credit risk of PRC commercial banks or for macroeconomic control purposes. Set out below is a summary of certain rules and regulations applicable to us.

- 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》) requires commercial banks to establish risk management policies to control credit granted to group borrowers and file these policies with the banking regulatory authorities. If the credit balance of a commercial bank to a single group borrower exceeds 15% of its net capital, the commercial bank is required to take remediation measures to diversify the risks through syndicated loans, loan participation and loan transfer. In line with its prudential supervision requirement, the banking regulatory authorities may lower the ratio between credit exposure to a single group borrower and the net capital of a particular commercial bank;

- The Interim Measures for the Administration of Personal Loans (《個人貸款管理暫行辦法》) requires commercial banks to establish an effective full-process management framework and risk management system for personal loans and specify certain required conditions for personal loan applications. This rule also requires that the use of personal loans complies with relevant laws and policies. Commercial banks are required to specify the purpose of such personal loans in loan agreements and may not extend personal loans with no designated purpose;

- The Guidelines on Project Finance Business (《項目融資業務指引》) requires banking institutions to establish a sound operational process and risk management system. Banking institutions are required to fully identify and evaluate risks associated with the project construction and operation, including policy risk, financing risk, completion risk, product market risk, overrun 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 ability so that they can evaluate risks associated with technology and financial feasibility as well as sources for loan repayment. In addition, banking institutions must ensure that borrowers set up a designated account to receive all revenues from the projects, and must monitor such account and take actions in case of unusual movements;

- The Administrative Measures on Auto Loans (《汽車貸款管理辦法》) requires commercial banks to establish a credit rating system and monitoring system in connection with auto loans. These measures also set out certain required conditions in relation to applications for auto loans. In addition, these measures limit the principal amount of auto loans to 80% of the price of vehicles for self-use purposes, 70% of the price of vehicles for commercial purposes and 50% of the price of second-hand vehicles. Commercial banks are also required to ensure that borrowers provide mortgages over their vehicles or other types of guarantees for auto 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》) requires commercial banks to establish review and approval criteria for real estate loans (including land reserve loans, property development loans, personal residential mortgage loans, and commercial property mortgage loans) and to develop risk management systems 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 grant real estate development loans to borrowers without land use right certificates and relevant permissions. CBRC and its branches conduct periodic inspections on the implementation of the guidelines;

- The Notice of the State Council on Firmly Curbing Excessive Rise of Housing Prices in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) requires commercial banks, among other things, 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 idle lands or which are involved in land speculation activities. The Notice of the General Office of the State Council on Further Regulation and Control of the Real Estate Markets (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) prohibits commercial banks from making loans for new development projects to land developers which are engaged in illegal activities such as land hoarding and price speculation;

- The Notice of PBoC and CBRC on Further Improving Housing Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》) encourages banking institutions, among other things, to support those shanty town reconstruction and affordable housing construction projects that meet conditions for credit while keeping risks at a controllable level and maintaining sustainable financial standing. The regulation provides that the maturity of loans to public rental housing and shanty town reconstruction may be extended to no more than 25 years. Subject to the need of risk prevention, banking institutions are required to allocate their credit resources reasonably and to support the real estate enterprises with sound qualification and operational integrity to develop and construct ordinary commodity housing, and to meet the reasonable demands for financing projects under construction and on-going construction projects with good market outlook;

- The Notice of PBoC and CBRC on Issues Concerning the Improvement of Differentiated 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》) requires commercial banks to suspend the extension of housing loans to families who have three or more residential properties or to non-local residents who are unable to provide evidence of payments of local tax or social security over one year. With respect to a first-time purchaser of any commercial residential property, the minimum down payment ratio is set at 30%, while the minimum down payment for a second home buyer is 50% of the purchase price with the interest rate being no less than 110% of PBoC benchmark interest rates on loans.

On September 29, 2014, PBoC and CBRC issued the Notice of PBoC and CBRC on Further Improving Housing Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》), which sets the minimum down payment ratio at 30% and the minimum interest rate at 70% of PBoC benchmark interest rates on loans for a family purchasing a home for self-use for the first time. The regulation provides that banking institutions should apply the policies for first home buyers to families who already own a residence, have fully repaid the relevant residential mortgage loans, and are applying for a loan to purchase another ordinary residential property to improve their living conditions. Furthermore, in cities that have lifted or have not imposed the restrictions for property purchasing, where a family that owns two or more residential properties and has repaid in full all relevant loans applies for a loan to purchase another residential housing, banking institutions shall prudently determine the down payment ratio and the interest rate, taking into account the borrower's ability to make repayment and credit standing.

On March 30, 2015, PBoC, the Ministry of Housing and Urban-Rural Development of the PRC and CBRC issued the Notice on Issues concerning Housing Loan Policies for Individuals (《關於個人住房貸款政策有關問題的通知》), pursuant to which if a household owns one residential property but has not fully repaid the corresponding mortgage loan and applies for a commercial housing loan again to purchase an ordinary residential property for upgrading purpose and for its own occupation, the minimum down payment ratio has been adjusted to not less than 40%. For an employee who is a contributor to the housing provident fund, if he utilizes entrusted loan from the housing provident fund to purchase the first ordinary residential property for his own occupation, the minimum down payment ratio is 20%; for an employee who is a contributor to the housing provident fund, if he owns one residential property and has fully repaid the corresponding mortgage loan, and applies for another entrusted loan from the housing provident fund to purchase an ordinary residential property for upgrading purpose and his own occupation, the minimum down payment ratio is 30%.

On August 27, 2015, the Ministry of Housing and Urban-Rural Development of the PRC, MOF and PBoC have jointly issued the Notice on Adjustment to the Minimum Down Payment Ratio for Personal Housing Loans from the Housing Provident Fund (《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》), pursuant to which if a household owns one residential property and has fully repaid the corresponding mortgage loan and applies for an entrusted loan from the housing provident fund again to purchase a residential property for upgrading purpose, the minimum down payment ratio has been lowered from 30% to 20% with effect from September 1, 2015. 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 PBoC and CBRC on September 24, 2015, in cities where "restrictions on purchase" have not been implemented, for households which apply for commercial individual housing loans for the purchases of their first housing, the minimum down payment is adjusted to not less than 25%;

- the Notice of MOF, NDRC, PBoC and CBRC on Implementing Several Matters relating to the Circular of the State Council on Relevant Issues Concerning Strengthening the Administration of Local Government Financing Vehicles (《財政部、國家發展和改革委員會、中國人民銀行、中國銀行業監督管理委員會關於貫徹〈國務院關於加強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》), the Guiding Opinions of 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》), the Notice of CBRC on Further Implementation of Risk Control and Management of Local Government Financing Vehicles in 2011 (《中國銀監會關於切實做好2011年地方政府融資平台貸款風險監管工作的通知》), the Guiding Opinions of 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》), which require that banking 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 to reflect and assess accurately the risk profile of such loans. Banking 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 loans is to be determined by full coverage, basic coverage, semi-coverage and non-coverage of cash flow of such loans.

  The Guiding Opinions of 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》) 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 loans granted by the bank to vehicles should not exceed that of the previous year, and that the bank shall take measures to gradually reduce credit extension and actively collect such loans;

- Under the Opinions of the State Council on Strengthening the Administration of Local Government Debts (《國務院關於加強地方政府性債務管理的意見》), financial institutions shall not provide financing to or seek guarantee from local governments in violation of applicable laws or regulations. Purchasing of bonds issued by local governments by financial institutions shall be in compliance with regulatory requirements. When providing financing to enterprises whose debt may become the government's contingent liabilities, financial institutions shall strictly regulate credit management by enhancing risk identification and risk management. Financial institutions shall undertake any loss incurred as a result of providing financing to governments in violation of applicable laws or regulations while relevant authorities and person in charge will be held accountable for their acts under the PRC Commercial Bank Law, PRC Banking Supervision and Regulatory Law and other laws and regulations.

The Circular on Properly Solving Subsequent Financing Issues of the on-going projects of Local Government Financing Vehicles issued by MOF, PBoC and CBRC (《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》) requires banking institutions to properly solve subsequent financing issues of the on-going projects of local government financing vehicles through separating management of existing customers and new customers and conducting financing in compliance with laws, to facilitate economic growth and control financial risks.

- The Guiding Opinions of PBoC, CBRC, CSRC and CIRC on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Certain Industries through Financial Services (《中國人民銀行、銀監會、證監會、保監會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》) provides that banking 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 Overcapacity 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》) and in response to the national industrial policy and financial control requirements, extend credit based on the principle of differential treatment. For enterprises and projects that revitalize key industries, meet market entry requirements and comply with the bank's lending policy, the regulations provide that credit extension should be made in a timely and efficient manner. For those that fail to satisfy these conditions, the regulations provide that credit should not be extended. For projects in industries with overcapacity, the regulations provide that credit extension should be strictly examined prior to approval;

- The Guidelines of Green Credit (《綠色信貸指引》) requires banking institutions to support energy saving, emission reduction and environment protection, and avoid the environmental and social risks of their customers. Under these Guidelines, banking 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 specific 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 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 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;

- The Guidelines of Energy Efficiency Credit (《能效信貸指引》) provides that banking institutions are encouraged to grant credit to energy consuming entities for the purpose of improving energy efficiency and reducing energy consumption. Under these Guidelines, banking institutions may grant credit to energy consuming entities to finance energy efficiency projects and energy saving service companies to finance contracted energy management. Banking institutions are required to formulate admission requirements for related energy efficiency projects, energy-consuming entities and energy saving service companies. Banking institutions are required to further improve their credit risk management capabilities for energy efficiency credit through a variety of methods, including (i) specifying the onboarding requirements for energy efficiency projects, energy-consuming entities and energy saving service companies, (ii) strengthening due diligence for granting credit to support energy efficiency to obtain overall knowledge of the borrower to assess risks, (iii) improving contract management and post-disbursement management of energy efficiency credit, and (iv) establishing credit monitoring and risk alert mechanisms; and

- The Notice of CBRC on Advancing the Financial Services for Small Enterprises and Micro Enterprises (《中國銀監會關於深化小微企業金融服務的意見》), the Guiding Opinion of the General Office of State Council on Financial Support for Adjustment, Transformation and Upgrading of Economic Structure (《國務院辦公聽關於金融支持經濟結構調整和轉型升級的指導意見》), the Implementation Opinion of the General Office of State Council on Financial Support for the Development of Small Enterprises 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》) and the Guiding Opinion of CBRC on Further Enhancing the Financial Service Work for Small Enterprises and Micro Enterprises (《中國銀監會關於進一步做好小微企業金融服務工作的指導意見》) provide that, banking financial institutions shall adhere to the commercial sustainability principle and provide prior financial support to small and micro enterprises which meet national industrial and environmental policies, create more jobs and have the intention and capability to repay the loan. Banking financial institutions shall be subject to commercial sustainability and effective risk control, positively adjust the credit structure and make annual credit plans separately for small and micro enterprises.

Foreign Exchange Business

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

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 reorganizations; 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》) promulgated by 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 may be permitted to engage in the custodian business for securities investment funds, if, among other requirements, such commercial bank had year-end net assets of not less than RMB2.0 billion for each of the previous three financial 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. CSRC and 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》) promulgated jointly by the Ministry of Human Resources and Social Security, 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 acting as custodians of enterprise annuity funds are required to report to the relevant regulatory bodies and establish a specialized funds custodian department. On April 30, 2015, the Ministry of Human Resources and Social Security issued the Decision of the Ministry of Human Resources and Social Security on Amendments to Several Regulations (《人力資源社會保障部關於修改部分規章的決定》), which amended the Measures for the Administration of Enterprise Annuity Funds (《企業年金基金管理辦法》) by abolishing relevant requirements regarding registered capital and net assets of corporate trustee, account manager, custodian and investment manager.

Insurance Agency Business

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 CIRC, for example, each outlet of a commercial bank may, in principle, cooperate with no more than three insurance companies in a financial year to sell their insurance products. If the outlet cooperates with more than three insurance companies, the outlet must report to the local branch of 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 promulgated by CIRC and CBRC on March 7, 2011, if a commercial bank operates an insurance agency business, each of its business outlets is required to obtain the requisite license issued by CIRC and authorization from the tier-one branch of the commercial bank before operating such business. On January 8, 2014, CIRC and CBRC jointly promulgated the Notice Concerning Further Regulation of Agency Sales of Insurance Business Conducted by Commercial Banks (《中國保監會、中國銀監會關於進一步規範商業銀行代理保險業務銷售行為的通知》), which requires commercial banks to assess the demands and risk tolerance of the policyholders, and recommend insurance products based on the assessment results. In addition, the total premium received by a commercial bank from agency sales of accident insurance, health insurance, term life insurance, whole life insurance, annuity insurance with an insurance period of no less than 10 years, endowment insurance with an insurance period of no less than 10 years, property insurance (excluding investment insurance offered by property insurance companies), guarantee insurance and credit insurance shall be no less than 20% of the total premium of its insurance agency business.

Wealth Management

In September 2005, CBRC promulgated the Interim Measures on Administration of the Wealth Management Services of Commercial Banks (《商業銀行個人理財業務管理暫行辦法》). In addition to domestic wealth management, PBoC, CBRC and SAFE jointly promulgated 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 permits duly licensed commercial banks to make overseas investments using funds from investors in pre-approved financial products on behalf of domestic institutions and individuals.

According to the measures, sale of wealth management plans by commercial banks is subject to reporting requirement. Commercial banks are also subject to certain restrictions on wealth management products. In addition, under the Guidelines for the Risk Management of the Wealth management Services of Commercial Banks (《商業銀行個人理財業務風險管理指引》) promulgated by CBRC in September 2005, commercial banks are required to establish an analyzing, auditing and reporting system in respect of their wealth management services and to report any material risk management issues to the relevant authorities. Since then, CBRC has issued a series of regulations in an effort to further improve the reporting mechanism and risk control of wealth management services provided by commercial banks. To further standardize and regulate the sales of wealth management products as well as fully protect the interests of consumers, CBRC promulgated 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》) in August 2011, which requires commercial banks to prudently operate and disclose their wealth management business in a timely manner.

On March 25, 2013, CBRC promulgated 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 at any point of time cannot exceed the lower of (i) 35% of the balance of the commercial bank's wealth management products, and (ii) 4% of the commercial bank's total assets as disclosed in its annual audit report for the prior financial year.

On July 10, 2014, CBRC promulgated the Notice on the Improvement of the Organization and Management System of Wealth Management Business of Banks (《關於完善銀行理財業務組織管理體系有關事項的通知》), which requires commercial banks to improve the organization and management system of wealth management business. A commercial bank shall conduct division reform of wealth management business under the requirements of separate accounting, risk isolation, code of conduct and centralized management, and establish a specialized operating department for wealth management business, which is responsible for the centralized and unified management of its overall wealth management business. A commercial bank shall also operate its wealth management business in compliance with the relevant prudential requirements under the banking regulations.

Interbank Business

On April 24, 2014, PBoC, CBRC, CSRC, CIRC and SAFE jointly promulgated the Circular on Regulating Interbank Businesses of Financial Institutions (Yin Fa [2014] No.127) (《關於規範金融機構同業業務的通知》(銀發[2014]127號)) ("Circular 127"), which sets out certain requirements in connection with regulating interbank business operations, the enhancement and improvement in the internal and external management of interbank businesses, and the promotion of compliant and innovative assets and liabilities businesses. For example, (i) Circular 127 defines and regulates interbank investment and financing businesses, including interbank lending, interbank deposits, interbank borrowing, interbank payments, financial assets held under resale agreements or financial assets sold under repurchase agreements. The Circular also required that interbank businesses (with investment and financing being the core businesses) should be classified into different categories in accordance with their substance, and should be managed based on the classification; (ii) financial assets held under resale agreements and financial assets sold under repurchase agreements shall only include bank acceptance bills, bonds, treasury bills and other financial assets with a reasonable fair value and high liquidity that are traded on the interbank market or securities exchange market; (iii) financial institutions that engage in the business of financial assets held under resale agreements and financial assets sold under repurchase agreements and interbank investment business shall not accept or provide any direct or indirect, explicit or implicit credit guarantee from or for any third-party financial institutions, except as otherwise permitted by the central government; (iv) financial institutions shall accurately measure risks and set aside capital and make provisions pursuant to the principle of "substance over form" and based on the nature of the underlying assets invested; (v) financial institutions shall determine the financing term in a reasonable and prudent manner. The term of interbank borrowing may not exceed three years and the term of other interbank financings may not exceed one year, and such terms may not be extended upon their maturity; (vi) the net balance of interbank funds (excluding interbank deposits for settlement purposes) extended by a single commercial bank to another financial institution with legal person status after deducting assets with zero risk weight may not exceed 50% of the bank's tier-one capital. The net balance of interbank funds borrowed by a single commercial bank may not exceed one third of its total liabilities; and (vii) financial institutions engaging in interbank businesses shall establish a sound risk management system and internal control system and adopt correct accounting treatments.

Pursuant to Circular 127, we have classified our interbank business based on the nature of the business, and segregated bookkeeping and accounts for different types of interbank business. We have also enhanced our management of maturity mismatches between our interbank assets and liabilities. In addition, we have made provisions for impairment losses on our interbank assets on a prudent basis in accordance with Circular 127. We have been in compliance with relevant requirements under Circular 127. The implementation of Circular 127 has not resulted in any material adverse effect on our business operations and financial position.

On May 8, 2014, the General Office of CBRC promulgated the Notice on the Regulation of the Management of Interbank Business Conducted by Commercial Banks (Yin Jian Ban Fa [2014] No. 140) (《關於規範商業銀行同業業務治理的通知》(銀監辦發[2014]140號)), which requires commercial banks to establish a management system for interbank businesses based on the scale and complexity of the interbank businesses conducted, and conduct all interbank businesses through specialized departments by the end of September 2014. For the interbank businesses which can be conducted in the form of electronic transactions via financial trading markets, such as interbank borrowing and lending, bonds held under resale agreements and bonds sold under repurchase agreements and certificates of interbank deposits, specialized departments may not entrust other departments or branches to handle them. For interbank businesses which cannot be conducted in the form of electronic transactions via financial trading markets, specialized departments may entrust other departments or branches to conduct operations such as marketing and inquiry, project initiation and customer relationship maintenance. The specialized departments, however, must approve the counterparty, amount, term, pricing and contract on a case-by-case basis, and shall be responsible for centralized management of financial accounting and assuming full risk control accountability. Commercial banks shall establish a sound management system for the authorization of interbank businesses, improve the credit management policies and the counterparty entry system.

Electronic Banking

In January 2006, CBRC promulgated the Administrative Measures Regulating the Electronic Banking Business (《電子銀行業務管理辦法》) and Security Evaluation Guidelines on Electronic Banking (《電子銀行安全評估指引》). All banking institutions applying to establish an electronic 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 submission of their application. In addition, all banking institutions conducting electronic banking business must adopt security measures to ensure the confidentiality of information and to prevent the unauthorized use of electronic banking accounts.

CBRC promulgated the Notice on Enhancing the Management of Customer Information of Electronic Banking (《關於加強電子銀行客戶信息管理工作的通知》) on August 9, 2011, which stresses the importance of commercial banks to be committed to the work concerning the security and confidentiality of customer information. Without customers' authorization, commercial banks may not directly or indirectly provide customers' sensitive information to third-party organizations. A centralized electronic banking management department shall be specified for the electronic funds transfer and payment business in order to ensure the safe, stable and ongoing operations of the business.

Credit Cards

On January 13, 2011, CBRC promulgated the Measures for the Supervision and Administration of the Credit Card Business of Commercial Banks (《商業銀行信用卡業務監督管理辦法》), which sets forth conditions that commercial banks must meet to conduct credit card businesses, including obtaining prior approval from CBRC. Commercial banks are required to establish effective internal control and risk management systems to monitor the operation of their credit card business, as well as to protect the legal rights and personal information of customers. Commercial banks are also required to fully disclose the risks related to the use of credit cards to their customers and establish comprehensive mechanisms to handle relevant complaints.

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, or investing in real property (other than for their own use) or non-banking financial institutions and enterprises.

Business of Community Sub-Branches and Sub-Branches for Small and Micro Enterprises

On December 5, 2013, the General Office of CBRC promulgated the Notice on Establishment of Community Sub-Branches and SME Sub-Branches by Small and Medium-sized Commercial Banks (《中國銀監會辦公廳關於中小商業銀行設立社區支行、小微支行有關事項的通知》), supporting eligible small and medium-sized commercial banks to set up community sub-branches and sub-branches for small and micro enterprises with their own characteristics on the condition that their risks and costs are manageable. As a special type of sub-branch, the community sub-branches and sub-branches for small and micro enterprises are simply bank outlets that are specially set up to serve community residents and small and micro enterprises. To set up such sub-branches, banks are required to complete relevant administrative examination and approval procedures to obtain the license. The existing certain bank outlets providing inquiry service, which are characterized as "self-service bank plus people", should be classified as community sub-branches and sub-branches for small and micro enterprises, and applications should be submitted for their establishment pursuant to relevant admission procedures.

Financial Innovations

In December 2006, CBRC promulgated the Guidelines on Financial Innovations 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 financial innovation-related activities, including developing new businesses and products and improving existing businesses and products, expanding their scope of business, enhancing cost efficiency and profitability, and reducing their reliance on lending business for profits. To facilitate financial innovation by PRC commercial banks, CBRC has indicated that it will streamline and increase the efficiency of the review and approval procedures for new products.

PRICING OF PRODUCTS AND SERVICES

Interest Rates for Loans and Deposits

Interest rates for Renminbi-denominated loans and deposits were historically set by PBoC. In accordance with the PRC Commercial Banking Law, each commercial bank is required to determine both its loan rate within the maximum and minimum loan rate limits and its deposit rate within the maximum and minimum deposit rate limits, in each case, as set by PBoC. In recent years, PBoC has gradually liberalized its regulation of interest rates, allowing banks more flexibility to determine the interest rates for Renminbi-denominated loans and deposits. Effective from July 20, 2013, interest rates on Renminbi-denominated loans (except for personal residential housing loans) can be determined by a commercial bank at its own discretion. Effective from October 24, 2015, a commercial bank in China may set interest rates on deposits based on commercial considerations.

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. On August 19, 2006, the minimum interest rate for personal residential mortgage loans was adjusted to 85% of PBoC benchmark lending rate. On October 27, 2008, the minimum interest rate for personal residential mortgage loans was adjusted to 70% of PBoC benchmark lending rate. On April 17, 2010, the minimum interest rates for the personal residential mortgage loans to second-time home buyers was adjusted to 110% of PBoC benchmark lending rate. Effective from July 20, 2013, 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 PBoC benchmark lending rates. On September 29, 2014, PBoC and CBRC stipulated that the policies for first-time home buyers should apply if a family already owned a residence, had fully repaid the relevant loan, and applied for a loan to purchase another ordinary commercial residence to improve its living condition.

Beginning on October 29, 2004, commercial banks in the PRC were permitted to set their own interest rates on Renminbi-denominated deposits so long as such interest rates were not higher than the relevant PBoC benchmark rates. Effective from June 8, 2012, commercial banks in the PRC were allowed to set their own interest rates on Renminbi-denominated deposits up to 110% of the relevant PBoC benchmark rates. Effective from November 22, 2014, commercial banks in the PRC were allowed to set their own interest rates on Renminbi-denominated deposits up to 120% of the relevant PBoC benchmark rates. Effective from March 1, 2015, commercial banks in the PRC were allowed to set their own interest rates on Renminbi-denominated deposits up to 130% of the relevant PBoC benchmark rates. Effective from May 11, 2015, commercial banks in the PRC were allowed to set their own interest rates on Renminbi-denominated deposits up to 150% of the relevant PBoC benchmark interest rates. The relevant 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 RMB500 million or more, in each case with a term longer than five years; or deposits by Postal Savings Bank of China in amounts of RMB30 million or more with a term longer than three years, or deposits by personal account pension funds in amounts of RMB500 million or more with a term longer than (excluding) five years. With effect from August 26, 2015, PBoC decided to remove the interest rate cap for Renminbi-denominated time deposits with tenors over one year, while the interest rate cap for Renminbi-denominated demand deposits and deposits with tenors of up to one year remained unchanged. Effective from October 24, 2015, PBoC removed the cap on interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on commercial considerations.

From 2011 to the Latest Practicable Date, PBoC has adjusted the benchmark rate for Renminbi-denominated loans and the benchmark rate for Renminbi-denominated deposits 11 times.

The table below sets out PBoC benchmark rates for Renminbi-denominated loans since 2011.

						Housing fund loans	
Date of adjustment	**Six months or less**	**Over six months up to one year**	**Over one year up to three years**	**Over three years up to five years**	**Over five years**	**Up to five years**	**Over five years**
				(interest rate per annum %)			
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 PBoC benchmark rates for Renminbi-denominated deposits since 2011.

		Time deposits					
Date of adjustment	**Demand deposits**	**Three months**	**Six months**	**One year**	**Two years**	**Three years**	**Five years**
			(interest rate per annum %)				
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(1)
March 1, 2015	0.35	2.10	2.30	2.50	3.10	3.75	N/A(1)
May 11, 2015	0.35	1.85	2.05	2.25	2.85	3.50	N/A(1)
June 28, 2015	0.35	1.60	1.80	2.00	2.60	3.25	N/A(1)
August 26, 2015	0.35	1.35	1.55	1.75	2.35	3.00	N/A(1)
October 24, 2015	0.35	1.10	1.30	1.50	2.10	2.75	N/A(1)

Source: PBoC

(1) With effect from November 22, 2014, PBoC no longer publishes the benchmark interest rate on Renminbi-denominated deposits for a tenor of five years.

Commercial banks currently are permitted to negotiate and determine the interest rates on foreign currency-denominated loans and deposits.

Historically, commercial banks were permitted to determine the discount rate based on the rediscount rate set by PBoC. However, according to the Notice of the People's Bank of China on Further Promoting the Liberalization 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》) promulgated by PBoC in July 2013, commercial banks are permitted to determine the discount rate for their discount bills since July 20, 2013.

Pricing for Fee- and Commission-based Products and Services

CBRC, PBoC and NDRC jointly promulgated 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 some charging items in relation to RMB personal accounts starting from July 1, 2011.

On January 20, 2012, CBRC promulgated 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 enhances 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 promulgated by CBRC and NDRC on February 14, 2014 and effective on August 1, 2014, other than those services the pricing for which are guided or determined by the government, commercial banks' services are priced based on market conditions. In the event that the commercial bank increases the service prices or sets new service prices based on market conditions, the bank is required to make public such prices at least three months prior to the implementation of such prices in accordance with the Administrative Measures on Pricing of Commercial Banking Services.

REQUIRED DEPOSIT RESERVE

Commercial banks are required to maintain a percentage of their total deposits as reserves with PBoC to ensure they have sufficient liquidity to meet customer withdrawals. Currently, city commercial banks are generally required to maintain a deposit reserve of not less than 15% of their total outstanding Renminbi deposits according to the relevant requirements of PBoC.

The following table sets forth the historical RMB statutory deposit reserve ratios applicable to our Bank since 2011. Throughout the Track Record Period, we have complied with the relevant requirements of PBoC.

Date of adjustment	Statutory deposit reserve ratio %
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
February 5, 2015	17.5
April 20, 2015	16.5
September 6, 2015	16.0
October 24, 2015	15.0

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 CBRC requirements:

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

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

On February 23, 2004, CBRC promulgated the Capital Adequacy Measures (《資本充足辦法》) which became effective on March 1, 2004 and was amended on July 3, 2007 and superseded by the Capital Administrative Measures (《資本管理辦法》) on January 1, 2013. We were required to comply with the Capital Adequacy Measures before January 1, 2013. While the Capital Administrative Measures did not change the pre-existing requirements of a minimum 8% capital adequacy ratio and a minimum 4% core capital adequacy ratio, it amended the risk weighting for various assets and adjusted the components of capital. In addition, the Capital Administrative Measures required commercial banks to make adequate allowance for various impairment losses, including those associated with loans, before calculating their capital adequacy ratios. These changes resulted in a more stringent capital adequacy requirement.

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

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

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

In the above formulae:

Capital	Includes both core capital and supplementary capital.
Core capital	Includes paid-in capital or common shares, capital reserve, surplus 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 that is not for self-use.
Core capital deductions	Include goodwill, 50% of capital investments in non-consolidated financial institutions, 50% of equity investments in non-banking financial institutions and enterprises and 50% of capital investment in real estate that is 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 that a bank is required to provide for the market risks relating to its assets. Commercial banks with total trading book positions greater than 10% of the bank's total on- and off-balance sheet assets or over RMB8,500 million are required to make provisions for market risk capital.

On June 7, 2012, CBRC promulgated the Capital Administrative Measures, setting up a new capital adequacy regulatory system by reference to Basel III to replace the Capital Adequacy Measures. The Capital Administrative Measures have been in effect since January 1, 2013. In particular, the Capital Administrative Measures established a unified and comprehensive capital adequacy regulatory system, redefined the meaning of capital, enlarged the scope of risks to be covered by capital, emphasized the scientific classification and differentiated supervision of the capital adequacy levels of commercial banks and provided commercial banks a transitional period for meeting the new capital adequacy requirements.

Under the Capital Administrative Measures, capital adequacy ratios are calculated according to the following formulae in accordance with CBRC requirements:

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

$$\text{Tier-one capital adequacy ratio} = \frac{\text{Tier-one capital} — \textit{corresponding capital deductions}}{\textit{Risk-weighted assets}} \text{ x } 100\%$$

$$\text{Core tier-one capital adequacy ratio} = \frac{\text{Core Tier-one capital} — \textit{corresponding capital deductions}}{\textit{Risk-weighted assets}} \text{ x } 100\%$$

In the preceding formulae:

Total Capital	Includes core tier-one capital, other tier-one capital and tier-two capital.
Tier-one Capital	Includes both core tier-one capital and other tier-one capital.
Core Tier-one Capital	Includes paid-in capital or common shares, capital reserve, surplus reserve, general reserve, retained earnings and applicable portions of minority shareholders' capital that may be included.
Other Tier-one Capital	Includes both other tier-one capital instrument as well as its premium and applicable portions of minority shareholders' capital that may be included.
Tier-two Capital	Includes both tier-two capital instrument as well as its premium, excess allowance for loss and portions of minority shareholders' capital that may be included.
Corresponding capital deductions	Refer to items that should be deducted correspondingly when commercial banks calculate the capital adequacy ratio at each tier.
Risk-weighted assets	Include credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets.

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

Market risk-weighted assets are measured by multiplying the required capital for market risk by 12.5. Calculation of market risk capital should cover interest rate risk and stock risk associated with commercial banks' trading accounts as well as exchange rate risk and commodity risk. Commercial banks may adopt the standardized method or the internal model method to measure the required capital for market risk.

Operational risk-weighted assets are measured by multiplying the required capital for operational risk by 12.5. Commercial banks may adopt the basic indicator method, the standardized method or the advanced measurement method to measure the required capital for operational risk.

The following table sets forth risk weightings for various assets when adopting the weighted method to measure credit risk-weighted assets under the Capital Administrative Measures.

Items		Risk weightings
a.	Cash	
i.	Cash and cash equivalents	0%
b.	Claims on central government and central bank	
i.	Claims on the PRC central government	0%
ii.	Claims on PBoC	0%
iii.	Claims on central governments or central bank 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 central governments or central bank 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 central governments or central bank 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 central governments or central bank 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 central governments or central bank of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are below B-[1]	150%
viii.	Claims on central governments or central bank of other countries or jurisdictions without ratings	100%
c.	Claims on public-sector entities of the PRC	20%

Items	Risk weightings
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 less	20%
2. With an original maturity of 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 reevaluated net value of a mortgaged residence before the purchaser has paid up all the loans	150%
iii. Other claims on individuals	75%

Items	Risk weightings
i. The balance of rental assets	100%
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%

(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-one capital adequacy ratio shall not be lower than 6%; and
- core tier-one 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 reservation buffer is required to be equal to 2.5% of risk-weighted assets and is to be fulfilled by core tier-one 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 capital reservation 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-one capital.

In addition, 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-one capital. If a PRC bank is recognized as a global 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 PRC regulator had issued no standards for determining, and no list of, such systematically important banks.

Furthermore, 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 in respect of certain asset portfolios on the basis of risk assessment; and

- specific capital requirements on an individual bank according to the results of supervisory inspections.

Time Limit for Meeting the Requirements

The Capital Administrative Measures 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 Capital Administrative Measures, on November 30, 2012, CBRC promulgated the Notice Regarding the Arrangement of Transition Period of Implementation of the Administrative Measures for the 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 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 following annual capital adequacy ratio requirement.

		As of December 31,					
Type of Bank	**Item**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Systematically Important Banks	Core tier-one capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Tier-one 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[1]	Core tier-one capital adequacy ratio	5.5%	5.9%	6.3%	6.7%	7.1%	7.5%
	Tier-one 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%

(1) We are categorized as "Other Banks" as shown in the table above.

In addition, if regulatory authorities require commercial banks to set up countercyclical capital buffer requirements or impose capital requirements on an individual bank 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 meet the relevant deadlines.

Issuance of Capital Instruments to Replenish Capital

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 promulgated by PBoC and CBRC. Upon approval by 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 interbank 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 CBRC and PBoC. CBRC regulates the qualification for bonds issue and the method for the inclusion in the supplementary capital. PBoC regulates the issuance and trading of subordinated bonds in the interbank bond market.

On September 5, 2006, PBoC promulgated the Notice of PBoC (2006) No. 11 — Matters Regarding the Issuance of Hybrid Capital Bonds by Commercial Banks (《中國人民銀行公告(2006)第11號—商業銀行發行混合資本債券的有關事宜》), which clarified the definition of hybrid capital bonds and specified the relevant issuance requirements.

On June 7, 2012, CBRC promulgated the Capital Administrative Measures which redefined the capital of a commercial bank from core capital and supplementary capital under the Capital Adequacy Measures to core tier-one capital, other tier-one capital and tier-two capital. Also, the Capital Administrative Measures proposed the concept and criteria for inclusion of tier-two capital instruments, which differ from that of subordinated debt, subordinated bonds and hybrid capital bonds. Pursuant to the Capital Administrative Measures, unqualified tier-two 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-two 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 of the relevant capital instruments, 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》) promulgated by CBRC on November 29, 2012 allows and encourages commercial banks to innovate capital instruments (including tier-two capital instruments) which comply with the Capital Administrative Measures. Pursuant to the guiding opinions, other tier-one capital and tier-two capital instruments issued by a commercial bank after January 1, 2013 must contain a provision that requires such instruments to either be written down or converted into common stock upon the occurrence of a triggering event. A triggering event for other tier-one capital instruments occurs when the core tier-one capital adequacy ratio of the commercial bank falls to 5.125% or below. A triggering event for tier-two capital instruments occurs upon the earlier of (i) a decision to write-down or share conversion, without which the commercial bank would become non-viable, as determined by 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, CSRC and CBRC jointly promulgated the Guiding Opinions on the Issuance of Corporate Bonds by Commercial Banks for Capital Replenishment (《關於商業銀行發行公司債券補充資本的指導意見》), which became effective on November 6, 2013. Pursuant to these Guiding Opinions, the listed/pre-IPO commercial banks proposing to issue written-down bonds to supplement capital shall design the relevant terms of the corporate bonds appropriately, formulate a feasible issuance plan, which shall be submitted to CBRC for confirmation of the nature of capital according to the relevant regulations. CBRC shall then issue a regulatory opinion on such issuance plan.

On November 30, 2013, the State Council promulgated the Guidance Opinions on the Pilot Scheme of Preference Shares (《國務院關於開展優先股試點的指導意見》), which sets out the principles regarding the definition of preference shares, the priority of holders of preference shares in receiving profits distribution and remaining assets, the repurchase and conversion of preference shares, the restrictions on voting rights and recovery of voting rights, and the issuance and trading of preference shares. On March 21, 2014, CSRC promulgated the Administrative Measures on the Pilot Scheme of Preference Shares (《優先股試點管理辦法》) which sets out specific requirements in respect of the exercise of the rights of holders of preference shares, the issuance of preference shares by listed companies, the non-public placement of preference shares by non-listed public companies, the trading, transfer, registration and settlement of transactions, the information disclosure, the repurchase, merger and acquisition and reorganization, and the regulatory measures and legal liabilities.

On April 3, 2014, CBRC and CSRC promulgated the Guiding Opinions on the Issuance of Preference Shares by Commercial Banks for Replenishing Tier-one Capital (《關於商業銀行發行優先股補充一級資本的指導意見》), which allows commercial banks to issue preference shares for replenishing tier-one capital. The issuance of preference shares by commercial banks shall comply with the relevant requirements of the State Council and CSRC subject to the conditions in relation to raising capital replenishment instruments of CBRC, and the core tier-one capital adequacy ratio shall not be lower than prudential requirements of CBRC. Commercial banks shall meet the qualified standards on other tier-one capital instruments as required by the Capital Administrative Measures and the Guiding Opinions of CBRC on Capital Instrument Innovation of Commercial Banks to issue preference shares for replenishing tier-one capital. Commercial banks shall submit the application for the issuance of preference shares to CBRC (including its local offices). They shall submit the application for the issuance to CSRC after having obtained approval documents from CBRC. CSRC shall approve the application in accordance with the Administrative Measures on the Pilot Scheme of Preference Shares and the relevant supporting rules. If non-listed commercial banks issue preference shares, they shall apply for listing and publicly transferring the shares on the National Equities Exchange and Quotations System in accordance with the relevant requirements of CSRC, and shall be supervised as non-listed public companies.

Issuance of Special Financial Bonds for Small and Micro Enterprise Loans

In May 2011, CBRC promulgated the Notice on Supporting Commercial Banks to Further Improve the Financial Services Offered to Small Enterprises (《中國銀監會關於支持商業銀行進一步改進小企業金融服務的通知》), which provides that, subject to fulfilment of prudent regulatory requirements, CBRC will prioritize its support to commercial banks, which has outstanding loans to small enterprises reaching a certain proportion of its total outstanding loans to enterprises, to issue financial bonds specifically for loans to small businesses. In October 2011, CBRC promulgated the Supplementary Notice on Supporting Commercial Banks to Further Improve the Financing Services Offered to Small-businesses (《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》), which sets out further provisions for the issuance of special financial bonds for small and micro business loans by commercial banks.

CBRC's Supervision of Capital Adequacy

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 CBRC their unconsolidated capital adequacy ratios on a quarterly basis and their consolidated capital adequacy ratios on a semi-annual basis.

Under the Capital Administrative Measures, commercial banks are classified into four categories based on their capital adequacy ratios, and CBRC adopts corresponding actions to these banks, the details of which are set forth below.

Categories	Capital adequacy	CBRC actions
Grade I	Commercial banks which meet all the capital requirements for capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio.	• 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.
Grade II	Commercial banks which fail to meet the second pillar capital requirements but meet all other capital requirements for capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio.	• to adopt the regulatory measures for Grade I banks; • 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 remediation and the opinion on meeting the requirements within the prescribed time limit; • to require the commercial bank to formulate a practicable capital replenishment plan and the plan for meeting the requirements within the prescribed time limit;

Categories	Capital adequacy	CBRC actions
		• 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-mitigation measures for specific risk areas.
Grade III.....................	Commercial banks which meet all the minimum capital requirements for capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio but fail to meet other capital requirements.	• to adopt the regulatory measures for Grades I and II banks; • 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 management; • 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.
Grade IV.....................	Commercial banks which fail to meet the minimum capital requirement for any of capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio.	• to adopt the regulatory measures for Grade I, II and III banks; • 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-two capital instruments or convert them into ordinary shares;

Categories	Capital adequacy	CBRC actions
		• to order the commercial bank to change its directors or senior management or restrict their rights; • to lawfully take over the commercial bank or procure the institutional reorganization 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.

(1) As at June 30, 2015, we are a Grade I bank as shown in the table above.

Introduction of the New Leverage Requirements

In an effort to supplement the effect of risk-based capital adequacy requirements, CBRC promulgated the Administrative Measures on the Leverage Ratio of Commercial Banks (《商業銀行槓桿率管理辦法》) (the "Administrative Measures") on January 30, 2015, which came into effect on April 1, 2015.

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:

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

Pursuant to these measures, in calculating the leverage ratio, with the exception of loan commitment that could be canceled unconditionally at any time being calculated on the basis of the credit conversion factor of 10%, other off-balance sheet items shall be measured in accordance with the credit conversion factors by use of credit risk weighting method in the Capital Administrative Measures. Commercial banks are also required to report to CBRC their consolidated leverage ratios on a semiannual basis and their unconsolidated leverage ratios on a quarterly basis. For a commercial bank which fails to meet the minimum leverage ratio, CBRC may take regulatory actions, including requiring the commercial bank to: (i) supplement its tier-one 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 remediate its non-compliance within the specified period, or its behavior has seriously endangered its sound operation or damaged the legitimate interests of depositors or other clients, CBRC may take relevant regulatory actions pursuant to the PRC Banking Supervision and Regulatory Law. In addition to the above-mentioned measures, CBRC may also impose an administrative penalty upon the commercial bank.

The Administrative Measures adjusts quantitative methodologies to calculate the leverage ratio of off-balance-sheet items such as bank acceptances, guarantees, letters of credit and trade finance. In addition, the Administrative Measures implements a more stringent requirements on leverage ratio disclosure. The Administrative Measures no longer applies a 100% credit conversion factor for off-balance-sheet items such as bank acceptances, guarantees, letters of credit and trade finance. Instead, conversion factors of 10%, 20%, 50% and 100% are applied to different items.

The above measures also provide that systematically important banks are required to meet the regulatory requirements on leverage ratio before April 1, 2015 when Administrative Measures becomes effective, while non-systematically important banks are required to meet such requirements before the end of 2016. Although we are a non-systematically important bank, we have met the regulatory requirement to have a leverage ratio of not less than 4%.

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 standard 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.

CBRC promulgated and amended the Capital Adequacy Measures on February 23, 2004 and July 3, 2007, respectively. CBRC has advised that the Capital Adequacy Measures are based on Basel I, while also taking into consideration certain aspects of Basel II. 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, 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 sets out the key targets and principles for the reform of China's capital regulatory framework. On June 7, 2012, CBRC promulgated the Capital Administrative Measures which came into effect on January 1, 2013 and superseded the Capital Adequacy Measures. 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, CBRC promulgated the following four policy documents to complement the Capital Administrative Measures, namely, 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》).

In January 2013, the Basel Committee promulgated the Monitoring Standards of Liquidity Coverage Ratio and Liquidity Risk in the Third Installment of Basel Accords (《第三版巴塞爾協議流動性覆蓋率和流動性風險監測標準》). On January 17, 2014, CBRC promulgated the Administrative Measures on the Liquidity Risk of Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》), which revised the liquidity regulatory requirements. In September 2015, CBRC revised the Administrative Measures on the Liquidity Risk of Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》), according to the amendments, the loan-to-deposit ratio will cease to be the regulatory indicator of liquidity risk control and management, and the requirement that the loan-to-deposit ratio must not exceed 75% was cancelled. The revised measures became effective on October 1, 2015. In January 2014, the Basel Committee promulgated the Leverage Ratio Framework and Disclosure Requirements in the Third Installment of Basel Accords (《第三版巴塞爾協議槓桿率框架和披露要求》), which revised the international rules in relation to leverage ratio. According to the new rules of leverage ratio by the Basel Committee, CBRC revised the Administrative Measures on the Leverage Ratio of Commercial Banks which was issued on June 1, 2011, and put forward clearer and stricter requirements for the disclosure of leverage ratio of commercial banks in 2015.

LOAN CLASSIFICATION, ALLOWANCES AND WRITE-OFFS

Loan Classification

Banks in the PRC are 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》) promulgated by CBRC on July 3, 2007 and the Administrative Measures on Risk-based Classification of Loans to Small Enterprises (Provisional) (《小企業貸款風險分類辦法(試行)》) promulgated by CBRC on July 20, 2007. Pursuant to the Guidelines of Risk-based Classification of Loans and the Administrative Measures on Risk-based Classification of Loans to Small Enterprises (Provisional), commercial banks shall classify loans (including loans to small enterprises) into at least five categories, namely, normal, special mention, substandard, doubtful and loss, and loans classified as substandard, doubtful and loss are regarded as non-performing. 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. Loans are classified as normal only if the borrower can honor the terms of its loans and there is no sufficient reason to doubt its ability to repay principal and interest in full on a timely basis. Loans should be classified as special mention if the borrower is able to service its loans currently, although repayment may be adversely affected by specific factors. Loans should be classified as substandard if the borrower's ability to service its loans is in question as it cannot rely entirely on normal business revenues to repay principal and interest, and losses may ensue even when collateral or guarantees are invoked. Loans should be classified as doubtful if the borrower cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked. Loans should be classified as loss if only a minimal portion or no principal and interest could be recovered after all possible measures have been taken and all legal remedies have been exhausted. According to the Guidelines of Risk-based Classification of Loans and the Administrative Measures on Risk-based Classification of Loans to Small Enterprises (Provisional), loans shall be classified no higher than substandard if any of the following circumstances arise: (i) loans that are overdue for longer than certain period of time (including after extension) and no longer accrue interest as income; and (ii) loans with principal or interest payments overdue and the borrowers deliberately evading their obligations thereunder through mergers, acquisitions or spin-offs. In addition, loans requiring restructuring shall also be classified no higher than substandard.

However, Guidelines of Risk-based Classification of Loans and the Administrative Measures on Risk-based Classification of Loans to Small Enterprises (Provisional) do not set out specific loan classification criteria including loan overdue days under the five-category loan classification system. In accordance with the principles set out under Guidelines of Risk-based Classification of Loans and the Administrative Measures on Risk-based Classification of Loans to Small Enterprises (Provisional) and based on our business operations, we formulated internal policies on risk-based classification of loans and on risk-based classification of credit assets of personal loans and loans to small enterprises in 2009, which were amended in 2014, setting out specific criteria for the above-referenced five-category loan classification, including the length of time by which payments of principal or interest are overdue. We have been in compliance with the Guidelines and the Measures as well as its internal policies on loan classifications, and during the Track Record Period, CBRC and its local branches did not raise any objection to our loan classification practices. King & Wood Mallesons, our PRC legal advisor, is of the view that our loan classification criteria do not contravene the relevant PRC laws and regulations.

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.

Under the Guidelines on Bank Loan Loss Allowance (《銀行貸款損失準備計提指引》) promulgated by PBoC on April 2, 2002, 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 loan balance at the end of the year. The guidelines provide additional guidance on the proportion of specific allowance 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 floating 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 was promulgated by CBRC on July 27, 2011 and became effective on January 1, 2012, the adequacy ratio of loan loss allowance of commercial banks is assessed based on its allowance to total loan ratio and its allowance to non-performing loan 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 by the end of 2013, and non-systematically important banks are required to reach such standard by the end of 2016. Those failing to reach the standard by the end of 2016 are required to formulate a plan on how to reach such standard, submit the same to banking regulatory authorities and reach such standard by 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, commercial banks are required to report to CBRC information regarding loan classification and loan loss allowance on a regular basis via quarterly report and annual report. Based on the review of these reports, CBRC may require commercial banks to explain significant changes in loan classification and loan loss allowance levels, or to carry out further inspections. After the Administrative Measures for Loan Loss Allowance of Commercial Banks took effect on January 1, 2012, banking regulatory authorities can issue risk notices to a commercial bank and require remediation to be made accordingly if the commercial bank fails to meet the relevant minimum loan loss allowance standards for consecutive three months. Banking regulatory authorities have the power to take further regulatory actions pursuant to the PRC Banking Supervision and Regulatory Law if such non-compliance lasts for consecutive six months.

Loan Write-offs

Under the regulations issued by CBRC, PBoC and 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 MOF. Losses realized when writing off loans are deductible for tax purposes, but such deduction is subject to the review and approval of the tax authorities.

Bulk Transfer of Non-performing Assets

Pursuant to the Administrative Measures for Bulk Transfer of Non-performing Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》) promulgated by MOF and CBRC on January 18, 2012, financial enterprises may carry out bulk transfer of their non-performing credit assets and non-credit assets generated from their business operations, including loans in the substandard, doubtful and loss categories recognized according to statutory processes and standards, written-off book assets, assets for the offsetting of debt and other non-performing assets.

Allowance and Statutory General Reserve for Impairment Losses

On March 30, 2012, MOF promulgated the Administrative Measures for the Provisioning for Reserves of Financial Institutions (《金融企業準備金計提管理辦法》). These measures became effective on July 1, 2012, and repealed the Administrative Measures for the Provisioning for Non-Performing Assets of Financial Institutions (《金融企業呆賬準備提取管理辦法》). Under the Administrative Measures for the Provisioning for Reserves of Financial Institutions, the minimum general statutory reserve level was raised to 1.5% of the aggregate amount of risk-bearing assets at the balance sheet date. Financial institutions may choose between an internal model approach and a standardized approach to determine the estimated value of potential risks for the provision of statutory general reserve. Financial institutions that have adopted the standardized approach to calculate the statutory general reserve should temporarily use the following standard risk weightings for credit assets: 1.5% for normal loans, 3% for special mention loans, 30% for substandard loans, 60% for doubtful loans and 100% for loss loans. If the level of general reserve of a financial institution fails to reach 1.5% of the aggregate amount of risk-bearing assets at the balance sheet date, the financial institution is allowed to achieve compliance within a certain period of time not exceeding five years in principle.

OTHER OPERATIONAL AND RISK MANAGEMENT RATIOS

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

The table below sets out our Bank's ratios at December 31, 2012, 2013 and 2014 and June 30, 2015, calculated in accordance with the Core Indicators (Provisional) and other relevant regulatory requirements and applicable accounting standards.

				Ratios of our Bank			
				At or for the year ended December 31,			At or for the six months ended June 30,
Risk level	Primary indicators	Secondary indicators	Requirement	2012	2013	2014	2015
			(%)				
Risk Level							
Liquidity Risk	Liquidity ratio(1)	RMB	⩾25	36.47	43.29	42.04	46.35
		Foreign currency		N/A	N/A	900.29	6,495.36
	Core liabilities ratio(2)		⩾60	58.38	59.14	48.65	53.93
	Liquidity gap ratio(3)		⩾(10)	5.14	(9.83)	(1.14)	22.37
Credit risk......	Non-performing asset ratio(4)		⩽4	0.31	0.31	0.33	0.55
		Non-performing loan ratio(5)	⩽5	0.47	0.53	0.75	1.06
	Credit exposure to a single group customer(6)		⩽15	5.46	4.50	5.38	6.39
		Loan exposure to a single customer(7)	⩽10	3.95	3.60	4.11	3.83
	Overall credit exposure to related parties(8)		⩽50	1.36	0.00	2.40	2.11
Market risk	Cumulative foreign currency exposure ratio(9)		⩽20	N/A	1.09	0.87	0.78
Risk Cushion							
Profitability ..	Cost-to-income ratio(10)		⩽45	32.89	27.06	27.72	18.43
	Return on assets(11)		⩾0.6	1.67	1.50	1.39	1.63
	Return on capital(12)		⩾11	21.04	22.10	23.52	29.36
Allowance Adequacy .	Allowance adequacy ratio for asset losses(13)		>100	847.70	1,055.24	826.14	770.09
		Allowance adequacy ratio for loan losses(14)	>100	1,013.53	1,241.23	908.57	822.92
Capital adequacy ...	Capital adequacy ratio(15)		⩾8	15.26	N/A	N/A	N/A
		Core capital adequacy ratio	⩾4	12.79	N/A	N/A	N/A
	Capital adequacy ratio		≧8.9	N/A	12.08	11.12	10.92

Risk level	Primary indicators	Secondary indicators	Requirement	Ratios of our Bank: At or for the year ended December 31, 2012	2013	2014	At or for the six months ended June 30, 2015
			(%)				
		Tier-one capital adequacy ratio	≧6.9	N/A	10.28	8.66	8.55
		Core tier-one capital adequacy ratio	≧5.9	N/A	10.28	8.66	8.55

(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 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 PBoC due within one month and other liabilities due within one month.

(2) 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 over three months, issued debt securities and the minimum amount of demand deposits in the past 12 months. Total liabilities refer to total liabilities on the balance sheet prepared under PRC GAAP.

(3) 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.

(4) Non-performing asset ratio = Amount of non-performing assets subject to credit risk/Amount of assets subject to credit risk x 100%. Non-performing credit risk assets include non-performing loans and other credit risk assets categorized as non-performing. The categorization of non-loan credit risk assets is in accordance with relevant CBRC regulations.

(5) Non-performing loan ratio = Amount of non-performing loans/Amount of total loans x 100%. Non-performing loans refer to loans in the substandard, doubtful and loss categories according to PBoC and CBRC's five category loan classification system.

(6) Credit exposure to a single group customer = Total credit granted to the largest group customer/Net capital x 100%. Largest group customer refers to the single group customer granted the highest credit limit at the end of the period.

(7) Loan exposure to a single customer = Total loans to the largest customer/Net capital x 100%. Largest customer refers to the customer with the highest amount of loans outstanding at the end of the period.

(8) 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.

(9) 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 exchange rate sensitive foreign currency liabilities.

(10) Cost-to-income ratio = (Operating expenses - business taxes and surcharges)/Operating income x 100%.

(11) Return on assets = Net profit/average balance of assets x 100%.

(12) Return on capital = Net profit/average balance of shareholders' equity for the period x 100%.

(13) Allowance adequacy ratio for asset losses = Actual amount of allowance for assets subject to credit risk/Required amount of allowance for assets subject to credit risk x 100%.

(14) Allowance adequacy ratio for loan losses = Actual amount of allowance for loans/Required amount of allowance for loans x 100%.

(15) 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). Since 2013, we have also calculated and disclosed the capital adequacy ratios according to the Capital Administrative Measures. Under the Capital Administrative Measures, capital adequacy ratio = (Total capital - corresponding capital deductions)/risk-weighted assets; tier-one capital adequacy ratio = (tier-one capital - corresponding capital deductions)/risk-weighted assets; core tier-one capital adequacy ratio = (core tier-one capital - corresponding capital deductions)/risk-weighted assets.

In addition, the Core Indicators (Provisional) sets out guidance on other ratios, including ratios relating to interest rate sensitivity, operational risk and loan migration. CBRC may make these as mandatory requirements in the future.

At December 31, 2012, December 31, 2013, December 31, 2014 and June 30, 2015, our core liabilities ratio (unaudited) was 58.38%, 59.14%, 48.65% and 53.93%, respectively, which did not satisfy the core liabilities ratio requirement under the Core Indicators (Provisional). Such non-compliance was mainly attributable to the increase in our funds from interbank market, which are considered non-core liabilities, as a percentage of our total liabilities, as our funding sources continued to diversify. King & Wood Mallesons, our PRC legal adviser, is of the opinion that the Core Indicators (Provisional) has not prescribed any penalties in respect of non-compliance with the core liabilities ratio contained therein. As stated in the Core Indicators (Provisional), except as otherwise required by law, administrative regulations and departmental rules, the core indicators do not act as a direct basis for administrative penalties. In addition, not meeting the core liabilities ratio does not necessarily lead to any direct, significant liquidity risks. Pursuant to the Administrative Measures on the Liquidity Risk of Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》) promulgated by CBRC on January 17, 2014 and implemented on March 1, 2014, the core liabilities ratio will no longer act as the regulator indicators. We will disclose any non-compliance with regulatory requirements in our interim and annual reports after the Listing.

DEPOSIT INSURANCE REGIME

On February 17, 2015, State Council promulgated the Deposit Insurance Regulation (《存款保險條例》), effective from May 1, 2015. Under this regulation, all deposit-taking financial institutions in China, excluding branches of foreign banks, are subject to the newly established deposit insurance regime. Upon the failure of a deposit-taking financial institution, each depositor of the failed financial institution is entitled to protection of up to RMB500,000 on deposits with the failed financial institution. Within this limit, depositors are fully protected (including principal of and accrued interest on the deposits denominated in Renminbi or foreign currencies).

Deposit-taking financial institutions are required to pay insurance premiums consisting of a flat premium and risk-based premium. The premium structure is decided by the deposit insurance institution and approved by the State Council. The premiums are paid every six months. The funds from the deposit insurance premium payments will be kept with PBoC, or invested in PRC government bonds, PBoC bills and high-grade bonds.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Corporate Governance

The PRC Company Law, the PRC Commercial Banking Law and other laws, regulations and regulatory documents provided 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》), which were issued by CBRC on July 19, 2013, require commercial banks to establish a sound corporate governance system and a clear organizational structure, with management and supervisory powers, functions and responsibilities being clearly split among the board, the supervisory board and the senior management. The guidelines also require commercial banks to abide by the principles of independent operation, effective checks and balances, mutual cooperation and coordinated running, and establish reasonable incentive and restraint mechanisms in order to achieve reasonability and efficiency in decision-making, execution and supervision.

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 CBRC, a commercial bank with a registered capital exceeding RMB1 billion is required to have at least three independent directors. As for the composition of the 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 CBRC, the proportion of employees representative supervisors or that of external supervisors cannot be less than one-third of the supervisory board. In addition, the Guidelines on Independent Directors and External Supervisors of Joint Stock Commercial Banks (《股份制商業銀行獨立董事和外部監事制度指引》) requires that the board of directors of a commercial bank should have at least two independent directors and the supervisory board should have at least two external supervisors. 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 in accordance with applicable laws, regulations and rules. According to 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 a compensation mechanism in line with the cultivation of talents and risk control.

Internal Controls

CBRC promulgated and amended the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) on July 3, 2007 and September 12, 2014, respectively. Commercial banks are required to establish internal controls to ensure effective risk management for their business activities. PRC commercial banks are also required to appoint a dedicated department to be the internal control management functional department which shall take the lead in making overall planning and organizing the implementation, inspection and appraisal of internal control system. In addition, an internal audit department should also be established to exercise supervision over internal control, audit the sufficiency and effectiveness of the internal control, report the problems discovered in the auditing to the board of directors and supervise the remediation.

In June 2006, CBRC promulgated 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, commercial 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 professional 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.

On May 22, 2008, the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》) were promulgated jointly by MOF, CBRC, NAO, CSRC and 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 addressing their operational and management needs, among other matters.

In accordance with the Guidelines on the Corporate Governance of Commercial Banks promulgated by 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 their respective 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 internal control and supervisory obligations by supervising directors and senior management, and refining the system and rules of internal control. Commercial banks are required to establish an independent department for effectively supervising and evaluating internal control, which reports directly to the board of directors, supervisory board and senior management on the progress of developing the internal control system and its enforcement.

Information Disclosure Requirements

Pursuant to the Measures for the Information Disclosure of Commercial Banks (《商業銀行信息披露辦法》) and the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) promulgated and implemented by CBRC on July 3, 2007 and July 19, 2013, respectively, a PRC commercial bank is required to publish an annual report (including an audited financial report) within four months of the end of each financial year disclosing its financial position and operational results. The board of directors of the commercial banks shall be responsible for the disclosure of information. Disclosure documents include periodical reports, interim reports and other relevant materials required by the regulations. The commercial banks shall disclose information via annual reports, website or other methods to facilitate timely access to the disclosed information by the shareholders and other stakeholders. The listed commercial banks shall also disclose information in compliance with the relevant provisions promulgated by the securities regulatory authority.

Transactions with Related Parties

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》) promulgated by CBRC in April 2004, which provided stringent and detailed requirements on the related party transactions of PRC commercial banks, require PRC commercial banks to adhere to the principles of good faith 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 commercial principles and on terms no more favorable than similar transactions with non-related parties.

These measures 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 in related party transactions.

Pursuant to these measures, commercial banks must submit to CBRC, on a quarterly basis, status reports regarding their related party transactions, and must disclose information relating to related parties and related party transactions in the notes to their financial statements. Furthermore, the board of directors of commercial banks is required to report specifically on the implementation of the management of related party transactions and such related party transactions annually to the shareholders' general meeting. CBRC has the power to take actions against the bank and/or the related parties, including ordering remediation of the non-compliance, imposing limitations on shareholders' rights, ordering transfer of shares, ordering change of directors or senior management and imposing fines.

RISK MANAGEMENT

Since its inception, CBRC has published, in addition to guidelines concerning granting loan and credit to certain specific industries and customers and measures in respect of the implementation of Basel Accords, numerous risk management guidelines and rules in an effort to improve the risk management of PRC commercial banks, including operational risk management, market risk management, compliance risk management, liquidity risk management, information technology risk management and a supervisory rating system. For the guidelines concerning loans and credit to certain specific industries and customers and measures in respect of the implementation of Basel Accords, please see "— Regulation on Principal Commercial Banking Activities — Lending" and "— Supervision Over Capital Adequacy — Introduction of the New Leverage Requirements — Basel Accords". CBRC also issued the Core Indicators (Provisional) as a basis of supervising the risk management of PRC commercial banks. 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. Please see "— Other Operational and Risk Management Ratios". 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.

Operational Risk Management

On March 22, 2005, CBRC promulgated 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 ongoing 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.

The Circular sets out detailed requirements relating to, among other things, establishing a system under which officers at junior level responsible for business operations are required to rotate on a regular basis and have compulsory leave; establishing a system to encourage employees to fully comply with applicable regulations and internal rules and policies; improving the regular checking of account balances of their customers by PRC commercial banks; improving the timely checking of the banks' internal accounting; segregating persons responsible for bookkeeping 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, CBRC promulgated 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 organizational structure, and operational risk management policies, approaches, procedures and rules in relation to capital requirement for operational risks of provisions. Those policies and procedures are required to be submitted to CBRC for filing. If a significant operational risk occurs and the commercial bank fails to adopt effective corrective measures within a specified period, CBRC has the power to take relevant regulatory measures.

Market Risk Management

On December 29, 2004, 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 address, 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; (iv) the responsibilities for internal control and conducting external audits; and (v) appropriate capital allocation mechanism for market risks. Under these guidelines, commercial banks are required to have official policies and procedures in writing in respect of the management of market risks.

In addition, the Capital Administrative Measures provide for the basic criteria, approval procedure and other requirements pursuant to which commercial banks may adopt the internal model to measure their market risk capital.

Compliance Risk Management

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, standardized the organizational structure for compliance risk management and set out the regulatory mechanisms for a bank's risk management.

Liquidity Risk Management

The Administrative Measures on the Liquidity Risk of Commercial Banks (Provisional) (CBRC Order [2014] No.2) (《商業銀行流動性風險管理辦法(試行)》(中國銀監會令2014年第2號)) promulgated by CBRC on January 17, 2014, which became effective on March 1, 2014, mainly introduced: (i) the liquidity risk management responsibilities of a commercial bank's board of directors, senior management, board of supervisors and the specialized internal department in charge of liquidity risk management; (ii) the strategy, policy and procedure of liquidity risk management; (iii) the identification, measurement, supervision and control of liquidity risk; and (iv) the calculation methods of liquidity coverage ratio, loan-to-deposit ratio and liquidity ratio, and it is also stated that the PRC commercial banks' liquidity coverage ratios must reach 100% by the end of 2018. According to the Administrative Measures on the Liquidity Risk of Commercial Banks (Provisional), CBRC should apply regulatory requirement indicators and monitoring reference indicators in its supervision and management of the liquidity risk level and liquidity risk management of commercial banks. In particular, liquidity coverage ratio is a regulatory requirement indicator for liquidity risk and liquidity gap ratio, core liability ratio, loan-to-deposit ratio and liquidity ratio are monitoring reference indicators for liquidity risk.

On June 30, 2014, CBRC released the Notice on Adjusting the Calculation of Loan-to-Deposit Ratio for Commercial Banks (《中國銀監會關於調整商業銀行存貸比計算口徑的通知》) to adjust the rules for calculating the loan-to-deposit ratio beginning from July 1, 2014.

On August 29, 2015, the NPC Standing Committee published the Decision on Amending the Commercial Banking Law of the People's Republic of China (《關於修改<中華人民共和國商業銀行法>的決定》). Pursuant to the decision, since October 1, 2015, the requirement that the ratio between the balance of loans and the balance of deposits must not exceed 75% will no longer be applicable for commercial bank loans, and the relevant requirement that penalties for non-compliance with the above "loan-to-deposit ratio" by the banking supervision institution of the State Council was cancelled.

In September 2015, CBRC revised the Administrative Measures on the Liquidity Risk of Commercial Banks (Provisional) , according to the amendments of which the loan-to-deposit ratio will cease to be the regulatory indicator of liquidity risk control and management and the requirement that the loan-to-deposit ratio must not exceed 75% was cancelled. The revised measures became effective on October 1, 2015.

Information Technology Risk Management

On March 3, 2009, CBRC promulgated the Guidelines on Information Technology Risk Management of Commercial Banks (《商業銀行信息科技風險管理指引》), which explicitly stipulates the requirements in relation to, among other things, information technology governance structure, information technology risk management, information security, information system development, testing and maintenance, information technology operation, business continuity management, outsourcing management and internal and external audit. Meanwhile, the Guidelines pointed out that, information technology risk management aims to recognize, measure, monitor and control the information technology risk of the commercial banks through establishing an effective mechanism, facilitate safe, sustained and stable operation of commercial banks, promote business innovation, improve the utilization level of information technology, and enhance core competitiveness and sustainable development capacities.

On February 16, 2013, CBRC promulgated the Regulatory Guidelines on Information Technology Outsourcing Risk of Banking Financial Institutions (《銀行業金融機構信息科技外包風險監管指引》) to further standardize information technology outsourcing activities of banking financial institutions to reduce information technology outsourcing risk.

On September 3, 2014, CBRC promulgated the Guiding Opinions on the Use of Secure and Controllable Technology by Banks to Strengthen Internet Security and Information System Construction (《關於應用安全可控信息技術加強銀行業網絡安全和信息化建設的指導意見》), which requires banking financial institutions to (i) improve information technology governance structure; (ii) strengthen information system structure; (iii) prioritize the use of secure and controllable technology; (iv) promote the independent development capability of information technology; (v) actively participate in the research and development of secure and controllable technology; and (vi) strengthen intellectual property rights protection.

Management of Other Risks

In addition to the above, CBRC has promulgated 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》), 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》), the Guidelines on Information Technology Risk Management of Commercial Banks (《商業銀行信息科技風險管理指引》) 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》), all in an effort to strengthen commercial banks' risk management capacity in relevant fields.

On September 11, 2014, the General Office of CBRC, General Office of MOF and General Office of PBoC jointly promulgated the Notice on Issues Concerning Strengthening Management of Deposit Deviation of Commercial Banks (《關於加強商業銀行存款偏離度管理有關事項的通知》). By setting up a deposit deviation indicator, it aims to prevent banks from "scrambling to meet regulatory deposit level" by requiring deviations in deposits at the end of each month not to exceed 3%. Deviations in deposits at the end of the month equals ("balance of various deposits on the last day of the month" minus "average daily deposit of the month") divided by "average daily deposit of the month" multiplied by 100%.

Supervisory Rating System

On December 30, 2005, CBRC promulgated the Internal Guidelines on Supervisory Ratings for Commercial Banks (Tentative) (《商業銀行監管評級內部指引(試行)》). All commercial banks legally incorporated in China (not applicable to newly established commercial banks) are subject to evaluation by CBRC based on a provisional supervisory rating system. Under these guidelines, the capital adequacy, asset quality, management quality, profitability, liquidity and exposure to market risk, etc., of commercial banks are evaluated and scored by CBRC on a continuous basis. Each bank is classified into one of six supervisory rating categories based on the scores. The results of ratings will serve as the basis for the regulatory authorities to implement their classified supervision and supervisory measures. Such supervisory rating system has not been disclosed to the public.

OWNERSHIP AND SHAREHOLDER RESTRICTIONS

Regulations on Equity Investment in Banks

On June 5, 2015, CBRC promulgated Measures for the Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks (《中資商業銀行行政許可事項實施辦法》). An application of a city commercial bank for modifying the shareholders that hold 5% or more of its total amount of capital or shares, or an application of an overseas financial institution for making investments or buying shares shall be subject to the acceptance, examination and decision of the local offices of CBRC. If a city commercial bank changes shareholders that hold more than 1% but less than 5% of its total amount of capital or shares, it shall report to the local offices of CBRC within 10 days after the share is transferred.

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》), foreign financial institutions that meet certain conditions can make investments or hold shares in PRC domestic commercial banks, subject to CBRC's approval. However, no single foreign financial institution may own 20% or more of the equity interest of such a bank. In addition, if foreign investment in the aggregate exceeds 25% of the total equity interest in a non-listed PRC commercial bank, such bank will be regulated as a foreign-invested bank. Listed PRC commercial banks are regulated as PRC banks even if foreign investment in the aggregate exceeds 25% of their total equity interest.

Restrictions on Shareholders

The Guidelines on Corporate Governance of Commercial Banks impose additional requirements on shareholders of commercial banks. For example, shareholders, especially substantial shareholders, are required to support the reasonable 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 the capital of 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, dividends are required to be decreased or even suspended from distribution, and capital is required to be replenished by means of increasing core capital. Under such circumstances, substantial shareholders cannot obstruct capital injection by other shareholders or the participation of new qualified shareholders. If shareholders of a PRC commercial bank fail to repay outstanding loans when due, their voting rights will be restricted for the period during which the relevant loan is overdue.

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 a shareholder exceeds the audited net value of his or her equity for the preceding year, the shareholder cannot use his or her stake in the bank as pledge. In November 2013, CBRC promulgated 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"), 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) where a shareholder, who has representation on the board of directors or the board of supervisors, 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 directors 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 directors 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 of directors at which such proposal is considered; (ii) upon the registration of pledge of equity interests, the shareholder 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 the shareholders' general meetings, as well as the voting rights of the director(s) designated by such shareholder at board meetings, shall be subject to restrictions.

The Notice provides that when a commercial bank fails to meet the regulatory requirements, PRC regulatory authorities may require the bank to formulate rectification plans and may take corresponding regulatory actions if necessary, however, the Notice does not explicitly provide the details of such regulatory actions.

To comply with the Notice, we amended our Articles of Association to include provisions on Voting Restrictions (the "Voting Restriction Articles"), which was approved by CBRC Henan Office and became effective in September 2014. The time difference between (i) the promulgation of the Notice in November 2013 and (ii) the effectiveness of our amended Articles of Association in September 2014 is primarily due to the time required for customary procedures to effect amendments to our Articles of Association. Relevant procedures include the following: (a) after the internal discussions regarding to the content of the Notice and actions to be taken by the Bank to comply with the Notice, the Bank convened a meeting of Board of Directors in April 2014 to resolve to amend our Articles of Association as a result of the Notice, (b) after the meeting of the Board of Directors in

April 2014, the Bank further convened the annual general meeting in June 2014 to approve our amended Articles of Association, and (c) after our amended Articles of Association were approved by the Shareholders, the Bank submitted them to CBRC Henan Office for approval, which were approved by CBRC Henan Office in September 2014. The Notice did not impose any time limit on effecting the amendment of articles of association to comply with the requirements in the Notice. Based on the foregoing, our PRC legal adviser, King & Wood Mallesons, is of the view that the Bank does not contravene the Notice for the time difference between (i) the promulgation of the Notice in November 2013 and (ii) the effectiveness of our amended Articles and Association in September 2014.

Where a Shareholder had pledged 50% or more of its Shares before the Voting Restriction Articles came into effect, we currently do not impose the Voting Restrictions on such Shareholder or any of its designated Directors (our such practice, the "Practice") because the Notice does not expressly provide retroactive effect of the Voting Restriction Articles. It should be noted that (1) the Notice requires commercial banks to include relevant provisions relating to Voting Restrictions in their articles of associations. In accordance with the Notice, we amended our Articles of Association to include the Voting Restriction Articles and such Voting Restriction Articles have been approved by CBRC Henan Office; (2) neither the Notice nor our Articles of Association provide expressly that the Voting Restriction Articles shall have retroactive effect; and (3) we, as a city commercial bank registered in Zhengzhou, Henan Province, have been subject to routine supervision and regulation of CBRC Henan Office, which is the competent authority to govern our compliance with the Voting Restrictions under the Notice. CBRC Henan Office indicated, at a face-to-face interview between the deputy director of the city commercial bank department of CBRC Henan Office and our PRC legal adviser, King & Wood Mallesons, that it was aware of the Practice and was of the view that we have amended corresponding provisions of our Articles of Association in compliance with the Notice, we currently have imposed the Voting Restrictions on Shareholders in accordance with the amended Article of Associations and it does not and will not consider to take any administrative penalties against us for the time being as our Practice does not cause risks to us. The deputy director was delegated after CBRC Henan Office's internal discussion and the city commercial bank department is responsible for directly and routinely supervising and regulating the Bank, including the matters relating to the share pledge by the Shareholders. The deputy director is a competent person to state the abovementioned view on behalf of CBRC Henan Office, as advised by our PRC legal adviser, King & Wood Mallesons. In addition, as of the Latest Practicable Date, CBRC Henan Office had not taken any regulatory actions against us or required us to take remediation measures in respect of our Practice. Based on the foregoing, our PRC legal adviser, King & Wood Mallesons, is of the view that our Practice does not contravene the relevant PRC laws and regulations, although there is a possibility that regulatory authorities may adopt more stringent requirements than our Practice in the future. Furthermore, it is provided in both the PRC Company Law and our Articles of Association that if any procedures in relation to convening shareholders' meetings or meetings of the board of directors or the way of voting thereat violate the laws, administrative regulations or our Articles of Association, or the contents of the resolutions violate our Articles of Association, shareholders shall have the right to revoke the resolutions passed at the relevant shareholders' meetings or meetings of the board of directors at PRC people's court within 60 days from the date of passing of the resolutions. During the Track Record Period and up to the Latest Practicable Date, we had not been aware of any applications for revocation of resolutions passed at our Shareholders' meetings or meetings of the Board of Directors. Therefore, even though regulatory authorities may adopt more stringent requirements than our Practice in the future, the validity of the resolutions passed at the Shareholders' meetings or meetings of the Board of Directors will not be affected after the lapse of the period of 60 days. Our Directors have confirmed that we will monitor any new implementation details or guidelines or regulatory opinion that may be issued by regulatory authorities in the future and ensure our ongoing compliance accordingly. Please see "Risk Factors — Risks Relating to Our Business — Our current practice of enforcing voting restrictions may be subject to more stringent regulatory requirements in the future".

According to our Articles of Association and relevant provisions of our internal policies on share pledges, our Shareholders shall strictly comply with applicable laws and regulations as well as regulatory requirements, and give prior notice to our Board of their intention to pledge their Shares for the benefit of themselves or others. Our Office of the Board of Directors or any other departments designated by the Board are responsible for the collection, organization and submission of such share pledge information. Shareholders pledging their Shares are required to prepare a report to our Office of the Board, stating the reasons for the proposed pledge, the amount of Shares to be pledged, the term of the pledge and the identity of the pledgee, etc. If any Shareholders having representation on our Board of Directors or Board of Supervisors or if any Shareholders holding or controlling, directly, indirectly or jointly, more than two percent of our Shares or voting rights intend to pledge their Shares, a prior filing to the Board for record is required. The Board shall not approve to record the pledge if the Board finds that the pledge may have significant adverse impact on the stability of our shareholding structure, corporate governance, risk control or related party transaction management. The Director appointed by the relevant Shareholder intending to pledge the Shares shall abstain from reviewing and approving the above-referenced record of the pledge at the Board meeting. Upon the completion of pledge registration, the relevant Shareholder should provide the information on the Share pledge on a timely basis according to our risk management and information disclosure requirements.

If a Shareholder has pledged 50% or more of its Shares, we will restrict all of the voting rights of such Shareholder in the general meetings of the Shareholders and all of the voting rights of any Director(s) appointed by such Shareholder in the Board meetings, respectively. If a major Shareholder has pledged 50% or more of its Shares in the Bank, we are required to report to the banking regulatory authorities within ten days from the effective date of the pledge. A major Shareholder refers to the Shareholder who directly, indirectly or jointly holds or controls more than 5% of our Shares or voting rights, or has a significant influence on our decision-making.

Internal control measures of the Bank for recording and updating the register of its Shareholders in relation to share pledges by the Shareholders are (1) the Bank has adopted the Measures for Share Management and Measures for Share Pledge Management which regulate the share management matters, including share pledges by Shareholders; (2) the Bank has established an internal record system for share pledges by Shareholders and a responsible person designated by the office of the Board is in charge of managing share pledges by Shareholders; (3) before the Listing, Henan Administration for Industry and Commerce, being the industrial and commercial administration authority at the Bank's place of incorporation, requires Shareholders who wish to pledge their Shares to provide photocopies of business license and share certificate with the Bank's chop stamped thereon for registration of share pledge. In addition, the Bank requires a prior notice by Shareholders of their intention to pledge their Shares. By doing so, the Bank is able to timely update its internal record for share pledges by Shareholders. Moreover, the designated person by the office of the Board regularly makes enquiries at Henan Administration for Industry and Commerce and checks the internal record of the Bank against the record maintained at Henan Administration for Industry and Commerce; and (4) after the Listing, when holders of Domestic Shares pledge their Shares registered under security registration and clearance institution, the Bank will communicate with China Securities Depository and Clearing Corporation Limited ("CSDC") with regard to the procedures for share pledge by Shareholders and the requirements under the relevant laws and regulations promulgated by CBRC including the Notice. The Bank will instruct CSDC to require holders of Domestic Shares holding more than 2% of its share capital to provide relevant documents issued by the Bank for registration of their share pledge, which would allow the Bank to timely update its own internal record. Moreover, designated person by the office of the Board will regularly make enquiries at CSDC in relation to share pledges by the holders of Domestic Shares and will check the aforementioned internal record of the Bank against the record maintained at CSDC. In addition, when the holders of H Shares pledge their Shares, they shall report to the Bank according to our Articles of Association and the Bank will update its internal record accordingly upon receipt of such reports.

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 anti-money laundering rules and regulations for financial institutions and requires financial institutions to establish sound internal control systems regarding anti-money laundering. To facilitate the implementation of the PRC Anti-Money Laundering Law, 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. In accordance with those regulations, commercial banks are required to establish an internal anti-money laundering procedure and either establish an independent anti-money laundering department or designate a relevant department to implement their anti-money laundering procedures. In accordance with the Administrative Measures for the Financial Institutions' Report of Large-Sum Transactions and Doubtful Transactions (《金融機構大額交易和可疑交易報告管理辦法》) promulgated by PBoC which was implemented on March 1, 2007, upon the detection of any suspicious transactions or transactions involving large amounts, PRC commercial banks are required to report the transactions 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. 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 in accordance with the PRC Anti-Money Laundering Law and Anti-Money Laundering Regulations for Financial Institutions.

Commercial banks are required to establish a customer identification system in accordance with the Measures on the Administration of Client Identity Identification and Materials 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》) formulated jointly by PBoC, CBRC, CSRC and CIRC which was implemented on August 1, 2007. Commercial banks are also required to record the identities of all customers and the information relating to each transaction, and keep personal transaction records and documents.

PBoC promulgated the Measures for the Supervision and Administration of the Anti-money Laundering Operations by Financial Institutions (Provisional) (《金融機構反洗錢監督管理辦法(試行)》) which became effective on December 9, 2014. Pursuant to the measures, PBoC is required to establish a regular anti-money laundering information reporting system for financial institutions, and financial institutions are required to report anti-money laundering work related information to PBoC and actively cooperate with PBoC and its branches in supervisory inspections.

OTHER REQUIREMENTS

Use of Funds

Under the PRC Commercial Banking Law, commercial banks are not permitted to engage in trust investment or securities 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 government authorities or otherwise specified in relevant laws and regulations. The use of funds by commercial banks is limited to the following:

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

Upon approval by CBRC and other relevant authorities, commercial banks may invest their funds in domestic insurance companies, fund management companies and financial lease companies in accordance with relevant regulation.

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》) promulgated by CBRC, 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 information as required under such notice. The statements required to be submitted by our Bank include: the statistical statement of balance sheet items, the supervisory checklist of liquidity ratio and other similar information required to be submitted monthly; the table of financial derivative business, the profit statement and other similar information required to be submitted quarterly; the table of interest rate re-pricing risk required to be submitted semi-annually; and the statement of profit distribution and the table of credit quality migration and other similar information required to be submitted annually.

REGULATORY AND SHAREHOLDER'S APPROVALS

We have obtained our shareholder's approval for the proposed listing. Please see Appendix VII — "Statutory and General Information — 1. Further Information about Our Bank — D. Resolution of Our Shareholders" to this prospectus.

We have also obtained approval from CBRC Henan Office and CSRC for the Global Offering and the application to list the H Shares on the Hong Kong Stock Exchange on September 14, 2015 and October 15, 2015, respectively.

HISTORY

On November 16, 1996, the Bank was established as a joint-stock commercial bank in the PRC under the name of City United Bank Co., Ltd. of Zhengzhou (鄭州城市合作銀行股份有限公司) after being approved by PBoC. The Bank was promoted and established jointly by the shareholders of 47 urban credit cooperatives and the sales department of one joint urban credit cooperative (including 313 corporate shareholders and 9,062 individual shareholders) together with the Zhengzhou Finance Bureau and 14 new investors. At the time of our establishment, our registered capital was RMB452,759,882. Key milestones in the Bank's history are as follows.

July 1996	PBoC approved the establishment of the Bank.
August 1996	PBoC approved the Bank to commence business.
November 1996	The Bank was registered and officially incorporated under the name of City United Bank Co., Ltd. of Zhengzhou (鄭州城市合作銀行股份有限公司).
December 2000	The Bank was renamed as Zhengzhou Commercial Bank Co., Ltd. (鄭州市商業銀行股份有限公司).
April 2009	The Bank established the small enterprises financing department which is responsible for independent accounting and independent assessment for the small enterprises loan business.
October 2009	The Bank was renamed as Bank of Zhengzhou Co., Ltd. (鄭州銀行股份有限公司) with the approval from CBRC.
December 2009	Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司) officially commenced operation with the Bank as the chief promoter.
August 2010	The Nanyang branch, the Bank's first provincial branch office, was established, marking a new stage of our inter-regional development.
December 2011	The Zhengguang Road sub-branch, the Bank's first sub-branch designated to serving small enterprises, was established, marking the first solid step we have taken towards small enterprises loans operation.
	The Bank completed capital increase by issuing 2,508,000,000 new Shares at the price of RMB2.72 per Share and raised RMB6,822 million.
June 2013	The Bank introduced five new services for domestic trade finance including letters of credit for domestic trade, domestic factoring, commercial acceptance bills, advance payment financing and order financing.

July 2013	The Bank was qualified to commence foreign exchange business, including deposits, loans, remittance and exchanges of foreign currencies.
August 2013	The Bank was approved to establish the post-doctoral research institute.
June 2014	The Bank's provision of cross-border Renminbi settlement services was filed with PBoC Zhengzhou Central Sub-branch.
	The Bank was qualified to commence credit card business.
	The Bank was among the Top 500 World Banks in terms of the size of total assets and tier-one capital according to The Banker.
July 2014	The Bank became a primary member bank of the self-regulated interest rate pricing association (利率定價自律機制基礎成員行).
July 2015	The Bank was qualified to issue large-amount certificates of deposit.

Change in Registered Capital

At the time of our establishment, our registered capital was RMB452,759,882, among which, the Zhengzhou Finance Bureau and 14 corporate investors contributed RMB102,000,000 and RMB96,000,000, respectively, in cash and the shareholders of 47 urban credit cooperatives and the sales department of one joint urban credit cooperative contributed RMB254,759,882 in the form of appraised and discounted net assets of such urban credit cooperatives. After several rounds of changes in the registered capital and introduction of new Shareholders, our registered capital as of the Latest Practicable Date is RMB3,941,931,900. The major changes in our registered capital and Shareholders are summarized as follows.

From establishment to 1999	In accordance with the requirements of the provincial and municipal governments to eliminate risks of the Bank, the Bank offset the equity interest of Shareholders in the amount of RMB70,515,364. Hence, the paid-up capital of the Bank was RMB382,244,518 prior to the capital increase in 1999.
1999 to 2000	In accordance with the requirements of the provincial and municipal governments to eliminate risk of the Bank, our registered capital was increased from RMB382,244,518 to RMB1,983,284,518 by issuing 1,601,040,000 Shares, among which, (i) 800,000,000 Shares were subscribed by the Zhengzhou People's Government in cash in the amount of RMB800,000,000; and (ii) 801,040,000 Shares were subscribed by entities and enterprises by converting their deposits with the Bank totalling RMB801,040,000. Registration of the aforementioned changes was completed with the Henan Administration for Industry and Commerce.

2002	The registered capital of the Bank increased from RMB1,983,284,518 to RMB1,998,217,282, among which, (i) the provincial and municipal finance bureaus injected registered capital in the amount of RMB60,192,764 by converting business tax collected from the Bank; (ii) RMB600,000 invested in the sub-operating office of a sub-branch by Henan Hezhong Property Management Co., Ltd. was consolidated into the capital account of the Bank; and (iii) reduction of RMB45,860,000 in our registered capital as a result of eight Shareholders withdrawing their shareholding in the Bank in an aggregate amount of RMB45,860,000. These eight Shareholders, who were originally creditors of the Bank, include the General Communication Development Corporation under the Zhengzhou Telecommunications Bureau, Labor Service Company under the Zhengzhou Telecommunications Bureau, Fund Settlement and Dispatching Center of the Yellow River Conservancy Commission, Henan Postal and Telecommunications Employees and Technology Association, Henan Province Postal Committee of China Postal and Telecommunications Labor Union, Henan Committee of China Postal and Telecommunications Labor Union, Zhengzhou Urban Construction, Removal and Settlement Company and Henan Securities Company. Registration of the aforementioned changes was completed with the Henan Administration for Industry and Commerce.
2006	The registered capital of the Bank reduced from RMB1,998,217,282 to RMB763,931,900. In accordance with the proposal approved by the Henan Government, the Bank reduced the paid-up capital of nine corporate Shareholders by RMB1,202,846,240 and offset the paid-up capital of 33 corporate Shareholders and eight individual Shareholders by RMB31,439,142, therefore reducing the registered capital of the Bank by RMB1,234,285,382 to offset certain historical loss. Registration of the aforementioned changes was completed with the Henan Administration for Industry and Commerce.
2006 to 2008	The registered capital of the Bank increased from RMB763,931,900 to RMB963,931,900 by issuing 200,000,000 Shares which was subscribed by the Zhengzhou Finance Bureau in cash in the amount of RMB200,000,000. Registration of the aforementioned change was completed with the Henan Administration for Industry and Commerce.
2008 to 2009	The registered capital of the Bank increased from RMB963,931,900 to RMB1,133,931,900 by issuing 170,000,000 Shares, among which Bridge Trust Co., Ltd., Zhengzhou Gas Group Co., Ltd. and Zhongyuan Environmental Protection Co., Ltd. subscribed for 60,000,000 Shares, 60,000,000 Shares and 50,000,000 Shares at RMB1.253 per Share, respectively. Among the subscription price, RMB1.00 per Share was taken as registered capital, and the remainder was used for writing off historical risk assets.

	The registered capital of the Bank increased from RMB1,133,931,900 to RMB1,433,931,900 by issuing 300,000,000 Shares, among which, each of the six corporate Shareholders, namely, Zhengzhou Urban Road Network Construction Management Co., Ltd., Zhengzhou Municipal Facility Maintenance and Construction Co., Ltd., Zhengzhou Municipal Construction Engineering General Corporation, Zhengzhou Sewage Purification Co., Ltd., Zhengzhou Land Reserve Center and Zhengzhou Environmental Services Co., Ltd. paid RMB50,000,000 in cash to subscribe for 50,000,000 Shares.
	Registration of the aforementioned changes was completed with the Henan Administration for Industry and Commerce.
2011 to 2012	The registered capital of the Bank increased from RMB1,433,931,900 to RMB3,941,931,900 by issuing 2,508,000,000 Shares which were subscribed for by 62 corporate Shareholders (including 58 new Shareholders and four original Shareholders), including Zhengzhou Investment Holdings Limited, Yutai International (Henan) Real Estate Development Co., Ltd., Henan Xingye Real Estate Development Co., Ltd., Henan Chendong Industrial Real Estate Development Co., Ltd. and Zhongyuan Trust Co., Ltd. at RMB2.72 per Share. Among the subscription price, RMB1.00 per Share was taken as registered capital, and the remainder was used for disposal of replacement assets. Registration of the aforementioned changes was completed with the Henan Administration for Industry and Commerce.

Issuance of Financial Bonds

In May 2013, the Bank issued financial bonds with an aggregate principal amount of RMB5.0 billion on the national interbank bond market for promoting our small and micro enterprises loan business. The Bank issued two types of bonds, 3-year-term bonds with a fixed interest rate of 4.58% and 5-year-term bonds with a fixed interest rate of 4.80%. These two types of bonds bear interest on an annual basis and early redemption is not permitted.

Issuance of Subordinate Bonds

In December 2009, in order to replenish our capital and improve capital adequacy ratio of the Bank to enhance its operational and anti-risk capabilities for supporting sustainable and steady development of businesses, the Bank issued 10-year-term subordinate bonds with an aggregate principal amount of RMB690 million which bear single interest on an annual basis with a fixed interest rate of 6.50% on the national interbank bond market. These bonds are redeemable in full or partially at the end of the fifth year subject to CBRC's approval. If these bonds were not redeemed at the end of the fifth year, the interest rate shall increase by 300 basis points from the sixth year. These bonds were fully redeemed in December 2014.

Issuance of Tier-two Capital Bonds

In December 2014, in order to replenish our tier-two capital, the Bank issued 10-year-term tier-two capital bonds with an aggregate principal amount of RMB2.0 billion on the national interbank bond market, which bear simple interest on an annual basis with a fixed interest rate of 5.73%. These bonds are redeemable in full or partially at the end of the fifth year subject to CBRC's approval.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

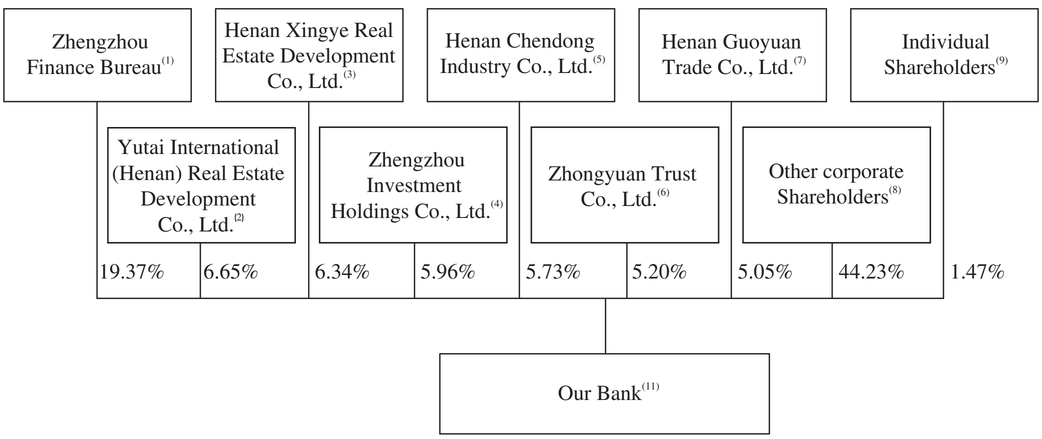
Shareholding structure

As of the Latest Practicable Date, the Bank had 269 corporate Shareholders and 3,357 individual Shareholders holding in aggregate approximately 98.53% and 1.47% of our Shares, respectively. As of the Latest Practicable Date, there are eight Shareholders that hold more than 5% of our total issued Shares, namely, Zhengzhou Finance Bureau, Zhengzhou Development & Investment Group Co., Ltd., Yutai International (Henan) Real Estate Development Co., Ltd., Henan Xingye Real Estate Development Co., Ltd., Zhengzhou Investment Holdings Co., Ltd., Henan Chendong Industry Co., Ltd., Zhongyuan Trust Co., Ltd. and Henan Guoyuan Trade Co., Ltd., which hold approximately 19.37%, 5.65%, 6.65%, 6.34%, 5.96%, 5.73%, 5.20% and 5.05% of the Shares of our Bank, respectively. In particular, Zhengzhou Finance Bureau holds our Shares through companies directly or indirectly owned by it.

As of the Latest Practicable Date, we were unable to verify the shareholdings of 145 corporate Shareholders and 395 individual Shareholders (including those whom we are unable to contact), holding in aggregate approximately 0.73% of our Shares. The existence of such Shareholders whose shareholding we are unable to verify has no material adverse impact on our shareholding structure, corporate governance and business operations.

Immediately before the Global Offering

The following chart sets forth our shareholding structure as of the Latest Practicable Date and immediately prior to the Global Offering.



(1) Zhengzhou Finance Bureau is our single largest Shareholder directly holding 12.45% of our Shares. Zhengzhou Finance Bureau also holds 3.44%, 1.27%, 2.16% and 0.05% of our equity interest through Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, each of which is directly or indirectly wholly-owned by Zhengzhou Finance Bureau.

(2) Yutai International (Henan) Real Estate Development Co., Ltd. is a wholly-owned subsidiary of Henan Yutai Investment & Development Co., Ltd., which in turn is owned by XU Jianxin, our non-executive Director, as to 80% of its shares. Yutai International (Henan) Real Estate Development Co., Ltd. is principally engaged in, including but not limited to, development and sale of real estates.

(3) Henan Xingye Real Estate Development Co., Ltd. is owned by Henan Zensun Enterprise Development Co., Ltd., as to 97.8% of its shares. Henan Zensun Enterprise Development Co., Ltd. is in turn owned by ZHANG Huiqi, as to 90% of its shares. Henan Xingye Real Estate Development Co., Ltd. is principally engaged in, including but not limited to, development and operation of real estate (with certificate), sale of building materials and lease of buildings.

(4) Zhengzhou Investment Holdings Co., Ltd. is wholly-owned by State-owned Assets Supervision and Administration Commission of Zhengzhou. Zhengzhou Investment Holdings Co., Ltd. is principally engaged in, including but not limited to, investment and operation of state-owned assets, development and sale of real estates and lease of buildings (with valid qualification certificates).

(5) Henan Chendong Industry Co., Ltd. is owned by each of Du Liling and WANG Meilan as to 50% of its shares. Henan Chendong Industry Co., Ltd. is principally engaged in, including but not limited to, sale of building materials, chemical materials (excluding inflammable and explosive hazardous chemicals), arts and crafts, furniture, hardware and electrical equipment, textiles, general merchandise, computer software and hardware, sundries, and electrical equipment (excluding motor vehicles) and apparel.

(6) Zhongyuan Trust Co., Ltd. is owned by Henan Investment Group Co., Ltd. and Henan Zhongyuan Express Co., Ltd. as to 48.42% and 33.28%, respectively. Henan Investment Group Co., Ltd. is wholly-owned by Henan Province Development and Reform Commission. Henan Zhongyuan Express Co., Ltd. is owned by Henan Transport Investment Group Co., Ltd. as to 45.09% of its shares, which is in turn wholly-owned by the People's Government of Henan Province. Zhongyuan Trust Co., Ltd. is principally engaged in, including but not limited to, fund trust, chattel trust, real estate trust, negotiable securities trust, trust of other properties or property rights, engagement in the business of investment funds in the capacity of a sponsor of investment funds or fund management companies, and the businesses involving enterprise assets restructuring, merger and acquisition, project financing, corporate wealth management, financial consulting, and operation of the securities underwriting business approved by the relevant departments of the State Council.

(7) Henan Guoyuan Trade Co., Ltd. is owned by ZHU Zhihui, one of our Supervisors, and his spouse, WANG Linhui as to 90% and 10%, respectively. Henan Guoyuan Trade Co., Ltd. is principally engaged in, including but not limited to, sale of building and decoration materials, machinery and electronic products (excluding motor vehicles), electric hardware, general merchandise, electronics, instrument and apparatus, ceramics products, office supplies, sporting goods, engineering machinery equipment and accessories, computers and accessories, communication and network equipment, and lease of buildings.

(8) The other 258 corporate Shareholders in aggregate hold approximately 44.23% of our total issued Shares. The highest shareholding of these corporate Shareholders is not more than 3.17%.

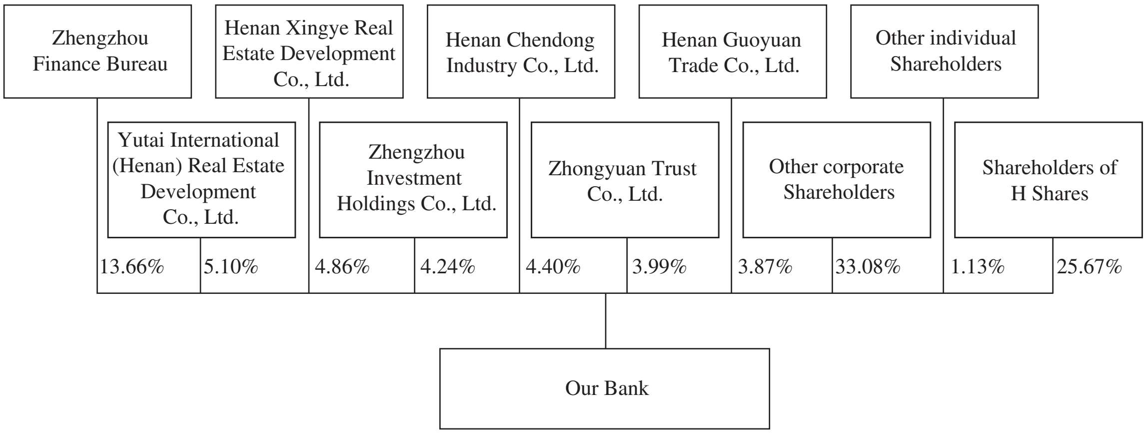
(9) The 3,357 individual Shareholders in aggregate hold approximately 1.47% of our total issued Shares. The highest shareholding of these individual Shareholders is not more than 0.025%.

(10) As of the Latest Practicable Date, 1,723,263,980 Shares (representing 43.72% of our total issued Shares) held in aggregate by 34 Shareholders were pledged and 303,555,000 Shares (representing 7.70% of our total issued Shares) held in aggregate by nine Shareholders were frozen by several judicial bodies.

(11) We intend to establish a financial leasing company in Zhengzhou to carry out financial leasing business with two independent third parties, the registered capital of which is proposed to be owned by us as to 51%. We will apply to CBRC for approval to set up the financial leasing company. We will commence the preparatory work for the setting up of the company after the formal approval is obtained.

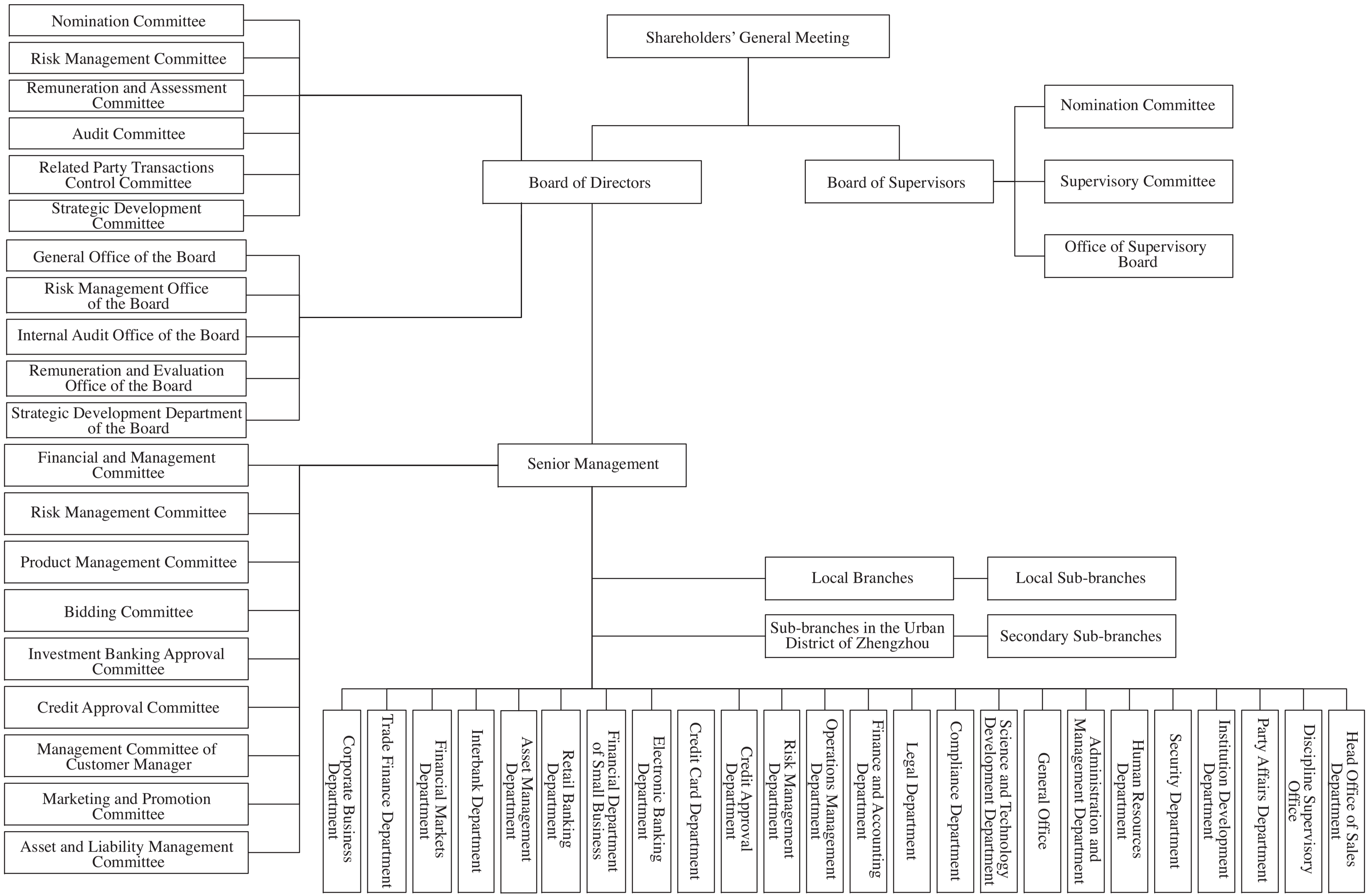
Immediately after the Completion of the Global Offering

The following chart sets forth our shareholding structure immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no change in shareholding by each of the Shareholders listed below after the Latest Practicable Date.



Organizational Structure and Operational Reform

The following chart sets forth the principal organizational and management structure of our Bank as of the Latest Practicable Date.



Corporate Governance Structure

We have established and further developed a corporate governance structure comprising shareholders' general meeting, the Board, the Board of Supervisors and senior management.

Our Board is accountable to our shareholders' general meeting and is responsible for, among other things, determining our business and development strategy, risk management strategy, operational plan and appointment of our senior management. Our Board delegates certain responsibilities to dedicated board committees, including the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee, the Related Party Transactions Control Committee, the Risk Management Committee and the Strategic Development Committee. Each committee reports to our Board. Please see "Directors, Supervisors and Senior Management — Committees under the Board of Directors" for the functions of each committee.

Our Board of Supervisors is accountable to our shareholders' general meeting and is responsible for supervising the performance of duties by the Board and senior management as well as our finance, risk management and internal control. The Board of Supervisors has established the Nomination Committee and the Supervision Committee and each committee reports to the Board of Supervisors.

The senior management has executive powers conferred onto them by our Board to manage the day-to-day operations of the Bank. The President of the Bank is empowered to be primarily responsible for carrying out the decisions made by our Board and reports to our Board. For functions of our senior management, please see "Directors, Supervisors and Senior Management — Senior Management".

OPERATIONAL REFORM

Risk Management and Internal Control

In recent years, we have been continuously building a comprehensive risk management structure by implementing various measures to improve our overall risk management and internal control standards. These measures include formulating the Internal Control Management Measures, the Case Management Measures and establishing different departments or committees to manage and monitor various types of risks. Please see "Risk Management" for more information about our risk management and internal control.

Information Technology

We have carried out information technology infrastructure construction and development as well as system upgrades and optimization on an ongoing basis so as to support the growth of our business. A summary of the key measures we have implemented in relation to our information technology management and operational reform is set forth below.

March 2013	Our new data center was officially launched and the architecture of our information system with the core business system and the data center system as the dual cores was preliminarily formed, which laid a solid foundation for implementation of management accounting.
May 2013	The comprehensive construction of our application-level same-city disaster recovery and data-level offsite disaster recovery system was completed, which enabled the security structure of our information system to reach a new level.
November 2013	Development of our new website completed and was successfully launched. Development of each of our mobile banking versions, such as Apple, Android, WAP, Windows 8 versions completed and was successfully launched. WeChat Banking was also initially established, while our e-channels further expanded.
December 2013	Our new customer service system was officially launched, which provided better services to and experiences for customers. Our international settlement system was successfully launched. This system together with the bill direct discount, guaranteed discount for commercial bills and factoring businesses and the letters of credit for domestic trade businesses launched subsequently, which preliminarily improved our trade finance business system.
March 2014	Our customer relationship management (CRM) system was officially launched. Based on advanced computing technology, CRM has achieved customer identification and management among our different management departments and provided a better tool to assist in the next step of customer relationship management.
June 2014	Our small enterprise online loan system was officially launched. Online loan is our innovative project in Internet finance innovation, i.e. the provision of convenient financial services to customers through the operating model of combining online with offline under controlled risks. We launched the "Ding Rong Yi" (鼎融易) Internet financial service platform. The "Ding Rong Yi" platform will focus on the five core functions of electronic accounts, payment for utilities, investment, financing and e-commerce through the organic combination of direct banking and e-commerce services to provide more comprehensive and faster Internet financial services to all users.

July 2014	Our bill system was officially launched.
September 2014	Our credit card issuance system and the ancillary system within the Bank were transformed and officially launched. The launch of our credit and issuance system provided technical support for the issuance of our credit card products and the transformation of the ancillary system within the Bank provided strong support for credit card business in terms of accounting, repayment, product application channels and so on. Our smart counter was launched. Smart counter equipment can help users achieve comprehensive financial services. Following the launch of smart counter, functions such as applying for new personal cards, electronic banking contract signing, transfer balance enquiry, contract signing for payment of utilities, purchase of wealth management products, recharge for mobile phone call charges and change of personal information can be achieved. Virtual Teller Machine (VTM) was officially launched. Through audio, video call and desktop sharing functions between users and remote tellers, VTM device allows users to realize comprehensive financial services, and individual can self-serve in completing various financial services, such as personal information collection, scanning and self-serve card issuance, which can be completed by users through automated processes of VTM. Users can complete self-serve transactions by completion of business application and submit relevant receipts when using it.
November 2014	Our internal audit system was officially launched. The set up of such system has improved the audit efficiency, regulated the audit procedure, prevented business risks and improved the operation and management standard, thereby providing support for creating the third line of defence against our business risks in a better and more effective way. Our "Hui Shang Dai (惠商貸)" product was official launched. Such product uses our "Hui Shang Dai" card as a medium to give ratings to partners in the wholesale market and extend credit to single merchants in the wholesale market. The launch of such product has enhanced the degree of dependence of merchants on us and promoted the sustainability of our small enterprise loan brand.

OVERVIEW

We are a fast-growing city commercial bank headquartered in Henan Province in terms of the growth of our total assets and net profit during the Track Record Period. We ranked the 376th in terms of total assets and the 440th in terms of tier-one capital at December 31, 2014 on the list of Top 1000 World Banks published in July 2015 by The Banker, up 66 and 40 positions from the preceding year. There are 117 PRC commercial banks on the list. In terms of total assets at December 31, 2014, we ranked the 45th among all PRC commercial banks, the 20th among all PRC city commercial banks and the second among city commercial banks headquartered in Henan Province. In terms of tier-one capital at December 31, 2014, we ranked the 53rd among all PRC commercial banks, the 24th among all PRC city commercial banks and the second among city commercial banks headquartered in Henan Province.

At December 31, 2014, our total assets, total customer deposits, total loans to customers and total equity were RMB204,289 million, RMB132,561 million, RMB77,986 million and RMB11,405 million, respectively. In 2014, our net profit was RMB2,463 million. According to CBRC Henan Office, we ranked the second among all city commercial banks headquartered in Henan Province, and had market shares of 34.6%, 32.3%, 29.6%, 21.2% and 32.8% in terms of total assets, total customer deposits, total loans to customers, total equity and net profit at or for the year ended December 31, 2014 of all city commercial banks headquartered in Henan Province, respectively. According to CBRC Henan Office, at December 31, 2014, we ranked the first in terms of total assets in Zhengzhou among all PRC commercial banks with operations in Zhengzhou.

Our total assets grew at a CAGR of 40.3% from RMB103,734 million at December 31, 2012 to RMB204,289 million at December 31, 2014, and our net profit grew at a CAGR of 29.9% from RMB1,460 million in 2012 to RMB2,463 million in 2014. Both of these rates were higher than the average CAGRs of PRC city commercial banks of 21.0% and 16.6%, respectively, for the same period, and were also higher than the CAGRs of most Listed PRC City Commercial Banks for the same period. In 2014, our net interest margin was 3.31% and our net interest spread was 3.07%, respectively, which surpassed all PRC City Commercial Banks Listed on the Hong Kong Stock Exchange. In 2014, our return on average total assets was 1.39% and our return on average equity was 23.52%, which were higher than the average rates of 1.2% and 17.6% among all PRC commercial banks, respectively, surpassing all Listed PRC City Commercial Banks. Please see "Industry Overview — Competitive Landscape".

While we focus on rapid growth in profits, we also adhere to the principles of prudent risk management and internal control in order to maintain asset quality. Our non-performing loan ratio at December 31, 2012, 2013 and 2014 and June 30, 2015 was 0.47%, 0.53%, 0.75% and 1.06%. At December 31, 2012, 2013, 2014 and June 30, 2015, our allowance to non-performing loan ratio was 425.28%, 425.54%, 301.66% and 250.40%, respectively, higher than the average ratio of all PRC commercial banks at the same dates, which was 295.5%, 282.7%, 232.1% and 198.39%, respectively. Our allowance for impairment losses on loans to customers is expected to continue to grow, reflecting the overall growth of our loan portfolio and the impact of the economic downturn.

We are committed to serving local customers. We have a broad customer base in the Zhengzhou market, which we built through long-term cultivation of local corporate and retail customers, as well as a business network that has been extensively tailored to the regional economy. Our head office is located in Zhengzhou, Henan Province, and as of June 30, 2015, we had 107 branches and sub-branches in seven cities in Henan Province. As of June 30, 2015, we had approximately 4,186 corporate loan customers and 76,265 corporate deposit customers. As of the same date, we had 51,361 personal loan customers and 3,301,257 personal deposit customers.

We have various financial business licenses and qualifications, and we are a primary member bank of the self-regulated interest rate pricing association, and a first-class dealer for the open market business. We are committed to providing comprehensive and integrated services to our customers. We have won numerous honors and awards for our performance and the high-quality products and services we have provided over many years. In the Track Record Period, these included:

Year	Ranking/Award	Event/Organizer/Media
2015	Outstanding Nation-wide Banking Institution for Providing Financial Services to Small and Micro Enterprises	CBRC
	No. 1 Among All City Commercial Banks With Assets Exceeding RMB200 Billion in 2014 On Competitiveness	The Chinese Banker Forum - Annual Report on Competitiveness of PRC Commercial Banks (2015)
	Best City Commercial Bank of 2014	The Chinese Banker Forum - Annual Report on Competitiveness of PRC Commercial Banks (2015)
2014	Best Small or Medium-sized Bank of 2014	Institute of Finance and Banking of the Chinese Academy of Social Science and Financial News — “Annual Financial Institution Gold Medal List • Golden-dragon Award”
	Best Financial Institution for Small and Micro Enterprises of 2014	Henan Daily
	Award for Outstanding Member of and Business Progress in the PRC Bond Market in 2014	China Central Depository & Clearing Co., Ltd.
2013	Most Competitive Small or Medium-sized Bank of 2013	Institute of Finance and Banking of the Chinese Academy of Social Science and Financial News — “Annual Financial Institution Gold Medal List • Golden-dragon Award”
	Third in Financial Strength Among Banks with Assets of RMB100 Billion to RMB200 Billion in 2013	The Chinese Banker
	Outstanding Institution for Providing Financial Services to Small and Micro Enterprises of 2013	CBRC Henan Office
2012	Outstanding Nation-wide Banking Institution for Providing Financial Services to Small and Micro Enterprises of 2012	CBRC
	Small or Medium-sized Bank with the Highest Potential of 2012	Institute of Finance and Banking of the Chinese Academy of Social Science and Financial News — “Annual Financial Institution Gold Medal List • Golden-dragon Award”

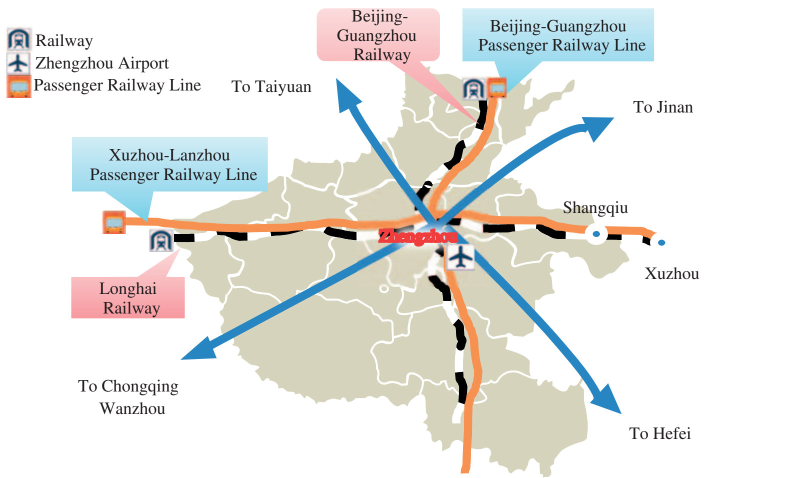
OUR STRENGTHS

We are located at the heart of the Central Plains, and have benefited from the region's rapid economic growth

We were established in 1996, centered in Zhengzhou, and have operated in Henan Province for nearly 20 years. With deep roots in our home market around Zhengzhou, we have benefited from the rapid development in the Central Plains Economic Zone and the economy of Henan Province. We have established branches and sub-branches in seven cities with business covering numerous regions in Henan Province as of June 30, 2015.

Henan Province has a number of economic strengths. It is the largest province in the PRC in terms of population, which provides it with a sufficient and steady supply of labor resources and a large consumer market, and it is at the accelerated development stage of industrialization and urbanization. Henan Province is also the largest province in the PRC in terms of market size of the agricultural, food production and food processing industries. It also has rich natural resources and is an important province in the PRC for mining resources. Furthermore, Henan Province is an important hub of transportation, communications, logistics and distribution of goods and resources in the PRC, with a key strategic role in China's national reforms and development. In recent years, benefiting from the implementation of the three major national strategies, namely the "Central Plains Economic Zone", the "Zhengzhou Airport Economic Experimental Zone" and the "National Core Producing Area of Grains", the economy of Henan Province has maintained robust and continuous growth. In terms of GDP, Henan Province ranked the fifth in the PRC for five consecutive years since 2009 and ranked the first among the Six Provinces in Central China.

As the capital of Henan Province and the center of the Central Plains Economic Zone, Zhengzhou plays a critical leading role in driving the development of the entire Central Plains Economic Zone and Henan Province in accordance with China's national plans. According to the Plan of Central Plains Economic Zone (2012-2020), the functions of Continental Bridge Corridor and Beijing-Guangzhou Corridor will be enhanced by accelerating the construction of infrastructure between Northeast- and Southwest-bound transportation and between the Southeast- and Northwest-bound transportation to build a key development zone centered in Zhengzhou, thus establishing an industrial and urban center connecting Beijing and Tianjin in the north, the southern and northern regions, the eastern and, central and western regions of the PRC. In 2012, 2013 and 2014, the GDP of Zhengzhou accounted for 18.7%, 19.3% and 19.4% of the GDP of Henan Province, respectively, and its GDP per capita was approximately twice the provincial average in the same periods, with a trend of rising economic concentration in the capital city.



Note: Zhengzhou-Jinan Railway, Zhengzhou-Hefei Railway, Zhengzhou-Chongqing Wanzhou Railway, and Zhengzhou-Taiyuan Railway are being planned; Xuzhou-Lanzhou Passenger Railway Line is still under construction

Resources: The Planning and Development of Zhengzhou Airport Economic Experimental Zone Development (2013-2025), The Plan of Central Plains Economic Zone(2012-2020) , The Mid-term and Long-term Railway Network Development Program(2008), National Railway Administration of the People's Republic of China, The People's Government of Henan Province

Rapid economic growth in the Central Plains Economic Zone and Henan Province have attracted a large number of enterprises to operate in these regions, with significant demand for investment and financing, giving rise to potential development opportunities in the regional financial market. In 2014, the output value of the financial industry in Henan Province was RMB148.9 billion, representing 4.2% of GDP of Henan Province and an increase of 15.2% compared to 2013, showing growth potential and a strong growth trend. Zhengzhou is the financial center of Henan Province. The balances of deposits and loans in Renminbi and foreign currencies of Zhengzhou's banking and financial institutions were RMB1,441.2 billion and RMB1,114.7 billion, respectively at the end of 2014, representing 34.4% and 40.4% of that of Henan Province, respectively. We are the second largest city commercial bank headquartered in Henan Province in terms of total assets, total loans and customer deposits as of December 31, 2014 and June 30, 2015 and net profit in 2014 and for the six months ended June 30, 2015. According to the data from CBRC Henan Office, we were the largest bank in Zhengzhou in terms of total assets in Zhengzhou as of December 31, 2014. As of June 30, 2015, we had 97 outlets in Zhengzhou. We believe that we will be able to leverage our market position and influence to capture numerous opportunities brought by the strength and rapid growth of the regional economy and tap the financial development potential of Henan Province and Zhengzhou.

We leverage regional advantages and focus on serving customers in the commerce and logistics industries

Henan Province is located at the core of the highway transportation network in the PRC. Being a provincial capital city, Zhengzhou has remarkable advantages in transportation. As the "intersection of China's transportation networks" and the "heart of China's railway networks", Zhengzhou is the hub for a number of main railways, including the Beijing-Guangzhou Railway and the Lanzhou-Lianyungang Railway, and is also home to the Zhengzhou North Railway Station (the largest railway marshalling station in Asia), the Zhengzhou East Freight Transport Railway Station (the largest less-than-carload freight transfer station in the PRC) and the Zhengzhou East Railway Station (the only interchange station in Asia that serves railways operating at 350 km/h). In 2013, China proposed the strategic initiatives of building the "New Silk Road Economic Belt" and the "21st Century Maritime Silk Road" ("One Belt One Road"). By relying on its advantages in transportation, we believe that Zhengzhou will be able to play a pivotal role in the "One Belt One Road" initiatives. To the east, Zhengzhou is able to connect with the "Maritime Silk Road", through integrated railway-maritime transportation and railway-highway transportation, and to the west, Zhengzhou is the first PRC city to commence direct scheduled international freight railways between the PRC and Europe to be integrated with the "New Silk Road Economic Belt". Upon the approval by the State Council in March 2013, the Zhengzhou Airport Economic Experimental Zone is the first pilot airport economic zone under the national strategic planning in China. The zone is expected to become an international air logistics center through a ground-air transportation system and an integrated transportation network of air, highway and railroad to achieve seamless interchange in freight transport and passenger transport, thereby establishing a key international air logistics center and a key passenger interchange center in the PRC. The development of the zone is in line with the national policy of "One Belt One Road". Significant achievements have been accomplished in customs clearance and cross-border e-commerce development. In 2014, imports and exports volume of the Zhengzhou Airport Economic Experimental Zone amounted to US$37.9 billion, accounting for about 58.3% of the total imports and exports of Henan Province.

As a traditional city of commerce and logistics, Zhengzhou has become a regional center of commerce and logistics with its low transportation cost and wide scope of transportation coverage. Zhengzhou experienced a significant increase in import and export volume since 2009. From 2009 to 2014, the import and export volumes of Zhengzhou grew at a CAGR of 63.0%.

Deeply rooted in this national transportation hub and commerce and logistics center, we are continuously enhancing a regional "commerce and logistics bank" ("commerce and logistics bank" refers to the business model focusing on serving customers in the commerce and logistics industries). We strive to promote our supply chain finance business to provide comprehensive and customized financial services to the customers in the commerce and logistics industry chain by offering a broad spectrum of products and service to address their diverse needs.

We have long implemented the "commerce and logistics bank" strategy. In 2005, we issued the "Shang Tong Card (商通卡)" co-branded cards, jointly issued by us and a logistics company. These cards have helped us achieve strong customer loyalty from logistics companies. In recognition of our achievements, we were awarded the honor of "China's Best Logistics Bank" at the international port logistics annual meeting in 2006.

We provide comprehensive supply chain financing solutions to our customers in the commerce and logistics industries as well as their upstream suppliers and downstream distributors to meet their financing and financial service needs. For suppliers, we provide order financing, domestic letters of credit, domestic factoring, guaranteed discounting for commercial bills and other financing products or services. For distributors and dealers, we offer inventory financing, warehouse receipt financing and other prepayment-based financing services. We have formed a supply chain financial product system, consisting of six major categories and 28 products.

We continue to introduce customized commerce and logistics-related financial services. For example, we have strived to introduce various customized debit cards to logistics company customers, which have been well received. We have also independently developed the "Ding Rong Yi" e-commerce platform by fully leveraging our trade finance, financial payment, wealth management and other services to build an Internet financial ecosystem led by key commerce and logistics companies. Our "Ding Rong Yi" e-commerce platform also matches orders of upstream and downstream distributors and is supported by community financial services. Our "Bao Fu Tong (保付通)" is a product to support payment collection by logistics companies through the Internet to accommodate the large volume of freight orders of logistics companies. It enhances credit of logistics companies and ensures payment security of consignors.

In line with the national strategy of building up the Zhengzhou Airport Economic Experimental Zone, we established a sub-branch in the Zhengzhou Airport Economic Experimental Zone in 2012. To strengthen our positioning as a "commerce and logistics bank", we look for customers and projects through exploring the supply chain of large central government-owned enterprises and listed companies and following the flows of the government's budget funds. This strategy makes us better positioned in pricing and controlling risks. In the period from the opening of this sub-branch through June 30, 2015, total corporate deposits and total corporate loans booked by this sub-branch were RMB2,572 million and RMB1,414 million respectively.

Our customers in the commerce and logistics industries consist primarily of customers in the wholesale and retail industry and the transportation, storage and postal service industry, as well as certain customers in the manufacturing industry and the agriculture, forestry, animal husbandry and fishery industry. At December 31, 2014 and June 30, 2015, our loans to corporate customers in the commerce and logistics industries accounted for 32.4% and 32.8% of our total corporate loans, respectively, while corporate customers in the commerce and logistics industries accounted for 49% and 52% of our corporate loan customers, respectively. At December 31, 2014 and June 30, 2015, our loans to corporate and personal customers in the commerce and logistics industries accounted for 43.3% and 43.3% of the aggregate of our corporate loans and personal business loans, respectively. We believe that, by establishing ourselves as a "commerce and logistics bank", we will be able to seize economic development opportunities in the regional market and further improve our business performance.

We focus on becoming a financing specialist for small and micro enterprises by deepening our local business operations

Henan Province is home to numerous small and micro enterprises. With the continued economic structural adjustments in the Central Plains, small and micro enterprises are becoming increasingly important. We strive to provide diversified and one-stop shop financing services to quality small and micro enterprises and focus on becoming a "financing specialist for small and micro enterprises" based in Zhengzhou and covering the Central Plains. According to data from CBRC Henan Office, as of December 31, 2014 and June 30, 2015, we ranked the first in terms of market share of loans to small and micro enterprises in Zhengzhou and the third in terms of market share of loans to small and micro enterprises in Henan Province.

We have the following characteristics and advantages in relation to our services for small and micro enterprises.

- **Significant business growth:** At December 31, 2012, 2013 and 2014 and June 30, 2015, our small and micro loans (total of corporate loans to small and micro corporate customers and personal business loans) amounted to RMB22,559 million, RMB31,448 million, RMB40,905 million and RMB45,959 million, respectively, accounting for 45.0%, 50.0%, 52.5% and 53.2% of our total loans, respectively, and representing a CAGR of 34.7% from December 31, 2012 to December 31, 2014. The annual growth rate of our small and micro loans exceeded the overall annual growth rate of our total loans from December 31, 2012 to December 31, 2014. For the six months ended June 30, 2015, we have granted small and micro loans to 6,167 small and micro customers with an aggregate principal amount of RMB22.3 billion. As of June 30, 2015, we had 18,864 small and micro customers, of which 3,920 were small and micro corporate loan customers.

- **Comprehensive and diversified products and services:** We have launched 25 financing products in 12 series to meet the financing needs of various small and micro enterprises. We determine the criteria for granting loan products to small and micro enterprises based on their annual revenues, asset-liability ratio and net assets. Eligible customers may be given a variety of preferential treatments and services, including comprehensive credit lines, lower interest rates on loans and relaxed collateral requirements, thereby effectively addressing the difficulties of small and micro enterprises in obtaining financing. For instance, our "Jie Ban Ying (結伴贏)" series of jointly-guaranteed loans were honored among the "Top Ten Outstanding Loan Products for Small and Micro Enterprise in 2013" by the Banking Association of Henan Province.

- **Ongoing business innovations:** Based on our deep understanding of the local economy and the market trends, we have been continuously launching new products and services. In May 2013, we successfully issued financial bonds with a principal amount of RMB5.0 billion to support our loans to small and micro enterprises. The proceeds raised by the financial bonds were all used for small and micro enterprise loans to support the development of local small and micro enterprises. We launched loans pledged by receivables to support farmers' investments in production. We granted 206 such loans in 2014, with an aggregate principal amount of RMB126 million.

- **Professional and focused management model**

  Specialized operations: We set the strategic goal of becoming "a financing specialist for small and medium-sized enterprises" as early as 2006 and established the small business financing department in the same year. In 2009, we established the small business division. In 2015, we obtained a license for our small business financial service center that operates small and micro enterprise loan business with front, middle and back office functions.

Featured business: Our small and micro enterprise sub-branches are located in the marketplaces and industrial parks where small and micro enterprises do business. Compared to our other branches, our small and micro enterprise sub-branches provide services tailored to specific regions and customers. Each small and micro enterprise sub-branch is required to conduct regular studies on the business and industries of the customers in the region of its coverage, in order to further develop its business based on a thorough understanding of customers.

Professional services: We have implemented various measures, such as imposing time limits on loan review and approval and an expedited process for making loans of similar natures in batches to small and micro enterprises, to shorten the time required for approval of loans and improve efficiency. We offer standardized and customized financial service solutions to small and micro enterprises. Where our current products do not meet the needs of small and micro enterprise customers, the product research and development center under our small business financing department develops financial products and services tailored to meet customers' business development needs.

We have effectively controlled credit risk arising from loans to small and micro enterprises. Our non-performing loan ratio was 0.76%, 0.81%, 0.46% and 1.15% at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. In 2014 and for the six months ended June 30, 2015, the average yields on our loans to small and micro enterprises were higher than our overall average yields on loans of 7.06% and 6.97%, respectively, for the same periods.

We have won numerous awards for our outstanding contributions in providing financial services to small and micro enterprises. In 2012, we were awarded named one of the "Outstanding National Banking Institutions for Providing Financial Services to Small and Micro Enterprises in 2012" by CBRC and one of the "Outstanding Enterprises for Promoting National Entrepreneurship of Henan Province in 2013" and one of the "Outstanding Institutions for Providing Financial Services to Small and Micro Enterprises in 2013" by the People's Government of Henan Province and CBRC Henan Office, respectively. In 2014, we were named one of the "Outstanding Institutions for Providing Financial Services to Small and Micro Enterprises" by CBRC Henan Office. In 2015, we were named one of "Outstanding Nation-wide Banking Institution for Providing Financial Services to Small and Micro Enterprises" by CBRC.

Our comprehensive operations have allowed us to achieve growth in both business scale and profit

Strong business capability and qualification. We have actively explored a comprehensive operation model to expand the breadth and depth of our business. Our strong business capabilities and qualifications are key to meeting the diverse needs of our customers and responding to intense market competition. In 2014 and 2015, we obtained qualifications for operating credit card business, interbank certificates of deposit business (同業存單業務), cross-border Renminbi business, international settlement business, cross-border guarantee business, interbank lending/borrowing in foreign currencies, and large-amount certificates of deposit business and became a primary member bank of the self-regulated interest rate pricing association, a SHIBOR OTC probationary quotation bank (SHIBOR場外嘗試報價行) and probationary market maker, and a potential underwriter of the

China Association of Interbank Market Dealers (銀行間市場交易商協會意向承銷商), a first-class dealer for open market business (公開市場業務一級交易商成員) and a member of the state treasury cash tender for 2015-2017 (2015-2017年度國庫現金招標團成員).

Diversified financial products and services and leading bond business. To meet the challenges of interest rate liberalization and financial disintermediation, we have been focusing on providing a variety of financial products and services including investment banking, asset management and wealth management services, offering our customers with comprehensive financial solutions, to develop and maintain relationships with our customers and deepen cooperation with commercial banks, securities companies, asset management companies, trust companies, insurance companies and other financial institutions. Our bond business maintains a competitive position among PRC city commercial banks. In 2014, we ranked the 34th among all PRC financial institutions and the 9th among PRC city commercial banks in terms of bond settlement volume. We underwrite bonds on the PRC interbank bond market, and are a member of the Shanghai Clearing House and the underwriting syndicates for financial bonds issued by China's three policy banks, namely, the Import-Export Bank of China, the China Development Bank and the Agricultural Development Bank of China. In 2014, we became an outstanding settlement member of the China Central Depository & Clearing Co. Ltd., and were awarded the "2014 Interbank Market Best Progress Award (2014年銀行間市場最佳進步獎)" by the China Foreign Exchange Trading System & National Interbank Funding Center (外匯交易中心暨銀行間同業拆借中心) and were named one of the "Outstanding Members of China Bonds — Bond Business Progress Award for 2014 (2014年度中國債券優秀成員債券業務進步獎) by the China Central Depository & Clearing Co. Ltd. At December 31, 2014 and June 30, 2015, the total amount of our investment securities and other financial assets reached RMB82,499 million and RMB90,805 million, respectively, of which our holding of debt securities reached RMB35,882 million and RMB36,987 million, respectively. The aggregate amounts of the funds raised from the wealth management products we issued in 2014 and the first half of 2015 reached RMB32.3 billion and RMB34.3 billion, respectively.

Effective technology support. Our comprehensive operations rely on effective technology supports. We have invested significant amounts in our IT system and recruitment. From 2012 to 2014, our total expenditure in IT equipment, systems and hardware and software reached RMB238 million. As of June 30, 2015, our technology team had 61 people capable of providing professional technology services.

Through our comprehensive operations and optimized allocation of resources, we achieved growth in both business scale and profit during the Track Record Period.

- **Rapid growth.** Our total assets increased at a CAGR of 40.3% from RMB103,734 million at December 31, 2012 to RMB204,289 million at December 31, 2014 and our net profits grew at a CAGR of 29.9% from RMB1,460 million in 2012 to RMB2,463 million in 2014, both of which were higher than the average CAGRs of 21.0% and 16.6% of PRC city commercial banks and the CAGRs of most Listed PRC City Commercial Banks.

- **Strong profitability**. In 2014, our return on average total assets was 1.39% and our return on average equity was 23.52%, both exceeding the ratios of PRC City Commercial Banks Listed on the Hong Kong Stock Exchange during the same year and the average ratios of 1.2% and 17.6%, respectively, of PRC commercial banks during the same year. In 2014, our net interest margin and net interest spread were 3.31% and 3.07%, both exceeding the ratios of PRC City Commercial Banks Listed on the Hong Kong Stock Exchange during the same year. In 2012, 2013 and 2014 and the six months ended June 30, 2015, our net profit amounted to RMB1,460 million, RMB1,902 million, RMB2,463 million and RMB1,751 million, respectively, and our net profit margin reached 40.80%, 44.68%, 44.74% and 45.46%, respectively.

- **Excellent financial control.** We have a strong customer base and an excellent brand image due to our dedication to regional markets for years, the large population in Henan Province (the benefits brought by rapid growth of population) and our economical and efficient internal management. Consequently, we have a relatively low cost-to-income ratio. In 2014, our cost-to-income ratio was 27.72%, lower than the average ratio of 31.62% of all PRC commercial banks and the ratios of most PRC City Commercial Banks Listed on the Hong Kong Stock Exchange for the same year.

Our prudent risk management ensures the stability of our asset quality

Prudent risk management philosophy. We always uphold the "prudent, rational and steady" risk management philosophy. All of our senior management personnel adhere to a conservative and stable risk management philosophy, under which we have cultivated a sound compliance and risk control culture.

Comprehensive risk management measures. We have established and continued to improve our comprehensive risk management system to cover various risks, balance risks and benefits, and take into consideration both risk control and efficiency in accordance with comprehensive risk management principles. We have established appropriate risk management processes and systems in response to the different characteristics of credit risk, market risk, operational risk and liquidity risk.

- **For credit risk:** We have established and applied credit rating tools to strengthen our customer risk identification and assessment capabilities. Changes in credit risk are monitored through continuous monitoring of changes in customer ratings. Credit extension plans are determined based on our assessments on the customers' default risk, and credit approvals are made based on the customers' risk authorizations.

- **For market risk:** We set different authorized risk limits for various products based on our overall market risk tolerance level, business strategy and market conditions. We also set exposure limits and employ different quantitative measures to manage different types of market risks arising from our banking book and trading book.

- **For operational risk:** We use three tools for operational risk management (risk control self-assessment, key risk indicators and collection of loss data). We have strengthened our operational risk management capabilities through self-assessments on operational risk and control, establishment and monitoring of key risk indicators, and collection of operational risk loss data.

- **For liquidity risk:** We have established a sound liquidity risk management system, liquidity indicator monitoring mechanisms and liquidity risk exposure limit management system, and have continued to improve liquidity stress tests, enhance our liquidity contingency plans and establish an improved liquidity risk reporting system.

Excellent risk management indicators. We have maintained good asset quality, with several risk management indicators that are better than the industry averages. At December 31, 2012, 2013 and 2014 and June 30, 2015, our non-performing loan ratio was 0.47%, 0.53%, 0.75% and 1.06%, respectively. At December 31, 2012, 2013, 2014 and June 30, 2015, our allowance to non-performing loan ratio was 425.28%, 425.54%, 301.66% and 250.40%, respectively, higher than the average ratio of 295.5%, 282.7%, 232.1% and 198.39% of all PRC commercial banks for the same periods.

We have excellent and competent core management team and staff team including industry specialists

Experienced management team. We have an experienced management team. We have established an excellent operational incentive system, an authorization system and a monitoring system. The core members of our management team have an average age of 49 years old and approximately 20 years of cumulative working experience in banking and business management and extensive experience in banking operations, financial management and risk control.

Excellent and competent leadership. The Chairman of our Board of Directors, Mr. WANG Tianyu, has more than 22 years of experience in banking business operations and management. After joining one of our predecessors, the Henan Province Yugong Urban Credit Cooperatives, in 1992, he has been working with us and has served as the President of Zhengzhou Urban Cooperative Bank Jingwu Road sub-branch, and Vice President and President of Zhengzhou City Commercial Bank Co. Ltd. He has worked as our Chairman since 2011 and has been very familiar with our history, business operations, development strategy, and strengths and weaknesses. Mr. WANG Tianyu graduated from Henan Institute of Finance and Economics in June 1988, majoring in public finance, and obtained a bachelor's degree in economics. He obtained an executive master's degree in business administration from National University of Singapore in June 2006, and obtained an executive master's degree in business administration from Tsinghua University in January 2015. He is currently attending a program of advanced economics course for further studies at the School of Economics of Huazhong University of Science and Technology. Mr. WANG Tianyu was awarded the title of "National Model Worker" in April 2015.

Our President, Mr. SHEN Xueqing, has nearly 20 years of working and management experience in the PRC banking sector. He has worked in Financial and Trade Commission of Pingdingshan City, Henan Province. He joined Guangdong Development Bank in 1996 and joined us as President in 2011. He is highly experienced in the management and operation of joint-stock commercial banks. Mr. SHEN Xueqing graduated from Henan Institute of Finance and Economics in June 1990, majoring in public finance, and obtained a bachelor's degree in economics, and obtained an executive master's degree in business administration from Xi'an Jiaotong University in December 2008, and obtained an executive master's degree in business administration from Tsinghua University in July 2015.

Well-educated staff team. Our employees have relatively strong education background. As of June 30, 2015, our employees with a college degree or above accounted for 96.5% of our staff. We have 206 employees with a postgraduate degree or above, which accounts for 6.9% of our staff. Employees with an undergraduate degree accounted for 70.9%. As of June 30, 2015, we had a stable team, with 1,596, or 53.4%, of our employees having worked for us for more than five years, demonstrating the loyalty of our staff.

Our emphasis on cooperation with academic institutions. We obtained approval to establish our post-doctoral research station in August 2013. It is the first ever research station created by a city commercial bank in Henan Province. Our research station will be in collaboration with Peking University and the Chinese Academy of Social Sciences on the research of comprehensive, cutting-edge, practical, fundamental and strategic subjects in the course of the reform and development of modern commercial banks. The establishment of this research station will also help us recruit domestic and overseas talent to form a talent pool for our further development.

OUR STRATEGIES

Our strategic goal is to become a customer-oriented, comprehensive regional boutique financial institution, with a core business of serving customers in the commerce and logistics industries and small and micro enterprise customers. To achieve this goal, we plan to:

Strengthen our positioning as "commerce and logistics bank"

The commerce and logistics industries in the regions where we operate business have great potential. Accordingly, we will continue to develop our business relating to the commerce and logistics industries as our core business and strengthen our positioning as a "commerce and logistics bank". We seek to provide comprehensive services to enterprises in these industries, build up a specialized platform for our customers in the these industries and enhance our brand awareness in the region. To this end, we plan to adopt the following measures.

- We will focus on supply chain financial services and develop customers in the commerce and trade industry to further strengthen our customer base, and improve the comprehensive supply chain financial services covering key industries in Henan Province. We will establish an integrated and open supply chain service platform that consolidates payment, settlement and commercial services. We will also continue to improve our capabilities in cash management services and international business services and expand our domestic and cross-border trade finance product offerings to improve international trade finance and settlement services. We plan to seize the opportunities presented by the "One Belt and One Road" policy to provide relevant financial services and other international business products relating to customs clearance. Furthermore, we will continue to develop trade finance business relationships with other financial institutions and grow such business as forfeiting and rights to factoring receivables to increase our profit opportunities. We will also continue to enhance our Internet-based e-commerce platform for customers in the commerce and logistics industries to meet the business needs of large and medium-sized corporate customers, small and micro enterprise customers as well as individual customers, thus providing customers with more convenient quality products and services experiences.

- We will focus on three objectives of becoming a "financial platform", a "trading platform" and a "service platform" for customers in the logistics industry.

    - We seek to provide a "financial platform" through offering customers with choices of investments with good returns, meeting their financing needs and providing other financial products and services;

    - We seek to provide a "trading platform" through expanding our customer base, collecting customers' trading data, offering on-line and off-line fund settlements in order to meet domestic and overseas, 24-7 settlement needs; and

    - We seek to provide a "service platform" through offering various integrated financial related services, such as assisting on product display and sales by our customers in the wholesale and retail industries, match-up of merchants and logistics business customers and relevant intermediary services.

    We seek to achieve these three objectives through leveraging the strategic location of Henan Province and providing comprehensive and customized financial services to meet customers' needs arising from various processes in their logistics business. We plan to a banking platform for customers in the logistics industry, develop a variety of products and services, and serve customers in the industries of logistics, storage, manufacturing, trading, industrial parks and logistics for e-commerce relating to the logistics business chain. We will foster specialized logistics-featured sub-branches and expand business cooperation with the logistics industry. We also plan to set up a logistics banking business department to promote our marketing strategies targeted at the customers in the logistics industry and research and development of new products to meet the needs of the banking platform for logistics business. Through these initiatives, we aim to meet our customers' needs for customized services arising from their diverse business models . Moreover, we will explore the opportunities to cooperate with commodity exchanges to establish interface between our banking platform and their platforms to better serve our customers in logistics industry.

Further enhance our competitiveness in serving small and micro enterprise customers

We seek to become the most competitive comprehensive financial service provider in the region for small and micro enterprise customers. To this end, we plan to adopt the following measures.

- We will further strengthen our efforts to expand our small and micro enterprise customer base. We will continue to provide small and micro enterprises and their owners with professional, efficient, and one-stop shop financial services and solutions. We will continue to increase comprehensive returns from each customer and increase profitability through effective resources allocation.

- We will strategically focus on key industries and industries with growth potential in the Central Plains Economic Zone. We will continue to utilize the marketplaces and industrial parks in the Central Plains Economic Zone and carry out mass marketing. We seek to focus on developing customers in less cyclical industries, such as the wholesale and retail and consumer goods industries. We will continue to cultivate technology enterprise customers with growth potential through providing financial service support. We will rely on industry leading enterprises to achieve mass marketing for small and micro enterprise customers and serve the entire industry chain. We will set up small enterprise business centers in certain branches to offer service to small and micro enterprises in local areas to achieve full coverage in Henan Province and further expand our markets.

- We will continue to develop specialized and customized products targeting various industries and customer groups. We will continue to diversify the form of guarantees and collateral or securing our loans, enhance approval efficiency and improve the service quality and capabilities of our customer managers. We will set up branches serving specific industries, foster customer manager teams focusing on serving small and micro enterprises and develop specialized marketing, service and product development and risk control capabilities.

- We will continue to improve our database, internal rating systems and approval models for small and micro enterprise customers. We will also continue to rate our customers based on their size, contributions and creditworthiness, and formulate a standardized approval model based on these ratings.

- We will continue to improve our services provided to small and micro enterprise customers. We will seek to continue to improve our Internet-based "Ding Rong Yi" platform to integrate payment, settlement, investment and financing services for small and micro enterprises and improve operational efficiency and customer experience.

Enhance the comprehensive strength of our retail banking business

We plan to establish branches and sub-branches strategically in cities across Henan Province with a view to becoming a retail bank that offers the best customer experience to local residents. We seek to provide differentiated and comprehensive financial solutions to retail customers with a focus on financial services to communities, wealth management and credit card business. Our specific plans include the following.

- We will continue our retail business operations with a focus on providing financial services to communities as the starting point. We aim to meet community residents' needs for investment, wealth management and consumer financing and to continue to expand our product and service offerings and promote cross-selling based on the characteristics of each community. Our marketing personnel will provide customers with customized and integrated products and services with differentiated pricing based on their understanding of local residents and merchants. We will also focus on customer acquisition and collection of comprehensive customer information through the community to evaluate credit risks.

- We will implement multi-tier management of our retail customers to understand the comprehensive financial needs of different customer groups and provide differentiated services, offering quality service experience to our customers. We will market products to customers relying on our outlets, electronic banking and Internet-based finance channels and provide services through designated wealth management managers, in order to explore existing customers' potential needs and acquire new customers. Furthermore, we will continue to develop our private banking business by establishing a specialized private banking wealth advisory team and a customer service team, targeting high net worth retail customers. To this end, we will also develop exclusive service processes to provide sales and service support directly to our private banking customers.

- We will further expand our credit card business and expand channels for credit card applications. We will continue to work with regional institutions and local enterprises and organizations to issue regional co-branded credit cards, featured credit cards and corporate cards. We will also continue to design credit cards based on customers' preferences and needs to expand our customer acquisition channels.

Further enhance our electronic banking and Internet-based finance channels to strengthen our capabilities to acquire customers across multiple regions

Electronic banking and Internet-based finance channels provide customers with convenient integrated services and increase our capabilities to acquire customers. These channels also help us reduce our dependence on our physical outlets, break geographical barriers among provinces and regions, acquire new customers, enhance customer loyalty, diversify income sources, increase fee and commission income and reduce costs and expenses. To this end, we plan to adopt the following measures.

- We will continue to promote our specialties in electronic banking and Internet-based finance channels and we will integrate these channels with our positioning as a "commerce and logistics bank" to create financial products with our core competiveness. We will continue to improve the functions of various channels such as smart counters, online banking, mobile banking, self-service banking and "Ding Rong Yi" platforms. By doing so, we place customer experience as our top priority. Meanwhile, we will focus on system security and stability, which is the foundation for our business operations. We will strictly monitor various risks and manage compliance issues. We will also continue the transition of our physical outlets from transaction- and settlement-oriented to marketing and service-oriented.

- We will continue to strengthen our cooperation with third-party e-commerce platforms and third-party payment companies to proactively establish payment applications. We will also continue to acquire customers through the Internet and to explore new Internet-based financial service models.

- We will continue to develop an analysis system on customer behaviors to study and analyze big data on customers of our electronic banking and Internet-based financial services, which provide data support for our implementing business planning, strategies and marketing solutions, exploring our customers' needs, conducting new product research and developing new functions. Moreover, we will continue to use big data in business operations, pricing, risk management, performance evaluation and resources allocation to refine our operational management standards.

- We will continue to develop our information technology in order to better support our business development. We will continue forward-looking planning on our application, data and technology infrastructure and planning to establish information systems in order to further improve the structural layout of our information system infrastructure, optimize network facilities and technology infrastructure and improve the operational supporting capabilities of our information technology systems. We will continue to strengthen data management and build up a data analysis system to upgrade and improve the ability of our information system to support management analysis and decision making.

Strengthen our comprehensive business operations to provide customers with integrated financial services

With the liberalization and development of financial markets, our customers' needs for financial services are becoming increasingly diverse, comprehensive and customized. We will further expand our product and service portfolio to provide customers with integrated financial services in addition to our traditional credit business, improve customer loyalty, adjust and diversify our income sources. These measures, when implemented, are expected to distinguish us from most of other PRC city commercial banks and break geographical constraints on our operations.

- For financial market business, we will enhance our capability and efficiency in our proprietary investments in debt securities. We will continue to expand our business relations with financial institutions while focusing on small and medium-sized banks, increase their credit lines and strengthen cooperation in product distribution channels, creating a regional financial institution alliance. We will continue our efforts to obtain agency business qualifications and market maker qualifications to enhance our investment capacity and expand our customer base by focusing on the foreign exchange, commodities and precious metals markets. We will develop diversified investment, asset custody, and agency trading businesses and expand product offerings to improve our fund turnover rate, liquidity and investment efficiency. We will also proactively seek to strengthen cooperation with non-banking financial institutions, such as securities companies, asset management companies and other third-party non-banking financial institutions, and build up a business platform for transactions with non-banking financial institutions.

- For asset management business, we will improve our investment capabilities, diversify our investments in securities trade on active markets and develop our asset management capabilities with a focus on product development in order to comprehensively transform towards active asset management and buy-side asset management. We will continue to enhance our ability to acquire underlying investment assets, increase returns on investment assets and control risks. We will continue to set up offices in major national financial centers and improve our market-oriented recruitment, incentives and promotion mechanisms to enhance our competitiveness.

- For investment banking business, we will expand our syndicated loan business and financial advisory business. To this end, we will continue to actively participate in underwriting syndicates for financial bonds, debt securities issued by corporate issuers and other types of debt securities and to actively apply for class B lead underwriter qualifications. We will establish an asset securitization team to support sales and marketing for our corporate banking business. We have streamlined our work process in project coordination, screening of credit assets, accounting, construction of IT systems and risk control, and formulated internal policies and procedures. We launched the credit asset transfer business on a pilot basis in 2014. We plan to issue asset-backed securities through private placement to move certain risk-weighted assets off our balance sheet, thereby diversifying risks and improving our asset utilization. In addition, we seek to increase marketing efforts on securitization of corporate assets such as highways, commercial properties, hospitals, shopping malls, and gas and heating facilities. We will continue to improve our market-oriented recruitment, incentives and promotion mechanisms to enhance our competitiveness.

- For further expansion of our product and service portfolios, we will proactively acquire other business qualifications and licenses aiming at becoming a full-service financial institution. We are in the process of preparing an application for setting up a financial leasing company to be submitted to the regulatory authorities. Subject to regulatory approval, we will implement our plans to form or invest in an automobile financing company, a fund management company, an insurance company and a securities company when appropriate and feasible, thereby making us an integrated financial institution that provides customers with diversified, professional and customized services. We currently have not identified any targets for acquisition.

OUR PRINCIPAL BUSINESS

Our principal businesses include corporate banking, retail banking and treasury businesses. Our operating income mainly comes from net interest income, fee and commission income and investment gains.

The table below sets forth the details of our operating income for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014 (unaudited)	2015
	(in millions of RMB)				
Interest income	4,774	6,812	9,602	4,376	6,107
Interest expense	(1,584)	(2,710)	(4,318)	(1,970)	(2,822)
Net interest income	**3,190**	**4,102**	**5,284**	**2,406**	**3,285**
Fee and commission income	75	198	382	148	344
Fee and commission expense	(13)	(36)	(34)	(9)	(12)
Net fee and commission income	**62**	**162**	**348**	**139**	**332**
Net trading gains/(losses)	28	(82)	(186)	45	161
Net (losses)/gains arising from investments	(1)	27	38	(35)	25
Other operating income	299	48	21	6	49
Operating income	**3,578**	**4,257**	**5,505**	**2,561**	**3,852**

We are committed to providing high-quality and diversified financial products and services to our customers. The table below sets forth the contribution of each line of business to our operating income for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014 (unaudited)		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)									
Corporate banking business	2,331	65.1%	2,497	58.7%	2,801	50.9%	1,425	55.6%	1,591	41.3%
Retail banking business	536	15.0	674	15.8	1,046	19.0	478	18.7	690	17.9
Treasury business	412	11.5	1,038	24.4	1,637	29.7	652	25.5	1,522	39.5
Others[(1)]	299	8.4	48	1.1	21	0.4	6	0.2	49	1.3
Total operating income	**3,578**	**100.0%**	**4,257**	**100.0%**	**5,505**	**100.0%**	**2,561**	**100.0%**	**3,852**	**100.0%**

(1) Consists primarily of income and expenses that are not attributable to any specific segment.

Corporate Banking Business

Overview

We provide our corporate banking customers with diversified financial products and services, including corporate loans (including trade finance), international business and services, corporate deposits and fee- and commission-based products and services. Our major corporate banking customers include state-owned enterprises, private enterprises, governmental departments and other institutional customers in Henan Province. Corporate banking business is a major source of our operating income and contributes to a significant source of our operating income. In 2012, 2013 and 2014 and for the six months ended June 30, 2015, operating income from our corporate banking business was RMB2,331 million, RMB2,497 million, RMB2,801 million and RMB1,591 million, respectively, accounting for 65.1%, 58.7%, 50.9% and 41.3%, respectively, of our total operating income. As of June 30, 2015, we had 76,265 corporate deposit customers and 4,186 corporate loan customers.

Corporate Loans

Corporate loans had been the largest component of our loan portfolio during the Track Record Period. At December 31, 2012, 2013 and 2014 and June 30, 2015, our corporate loans amounted to RMB32,599 million, RMB43,408 million, RMB51,671 million and RMB58,427 million, respectively, accounting for 65.0%, 69.0%, 66.3% and 67.6%, respectively, of our total loans to customers.

Corporate Loan Products

We provide various corporate loan products to our corporate banking customers, including working capital loans, fixed asset loans and trade finance. The table below sets forth our corporate loans by product type at the dates indicated.

	At December 31						At June 30	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Working capital loans	24,700	75.8%	35,361	81.5%	39,097	75.7%	43,393	74.3%
Fixed asset loans	7,899	24.2	6,857	15.8	10,120	19.6	12,476	21.3
Trade finance	—	—	1,190	2.7	2,454	4.7	2,558	4.4
Total corporate loans	**32,599**	**100.0%**	**43,408**	**100.0%**	**51,671**	**100.0%**	**58,427**	**100.0%**

Working Capital Loans

We provide working capital loans to our corporate customers to address their financing needs in their day-to-day operations. Our working capital loans include short-term loans due within one year and medium-term loans due in one to three years. At December 31, 2012, 2013 and 2014 and June 30, 2015, our working capital loans amounted to RMB24,700 million, RMB35,361 million, RMB39,097 million and RMB43,393 million, respectively, accounting for 75.8%, 81.5%, 75.7% and 74.3%, respectively, of our total corporate loans.

Fixed Asset Loans

We provide fixed asset loans to our corporate customers mainly to address their financing demands for fixed asset investment projects, including infrastructure projects and technology upgrades projects, construction of houses and land development. The amount of our fixed asset loans is usually 50% to 80% of the appraisal value of the related properties or projects financed by our loans. Generally, our fixed asset loans have maturities between one to five years. At December 31, 2012, 2013 and 2014 and June 30, 2015, our corporate fixed asset loans amounted to RMB7,899 million, RMB6,857 million, RMB10,120 million and RMB12,476 million, respectively, accounting for 24.2%, 15.8%, 19.6% and 21.3%, respectively, of our total corporate loans.

Trade Finance

We started to grow our trade finance loans in 2013 have leveraged our core corporate customers to develop customers in their upstream and downstream chains of industries. We offer supply chain financing solutions to our core corporate customers, their upstream suppliers and downstream distributors. Our supply chain financing solutions cater to the financing and financial service demands of various customers in different segments of the supply chain. For suppliers, we offer order financing, domestic letters of credit, domestic factoring, commercial acceptance bills and other financing services or products; for distributors, we offer inventory financing, financing secured by warehouse receipts and other prepayment-based financing services. We focus on the development of supply chain financing services for the automobile, electricity and healthcare industries.

We have formed a supply chain financing product system, divided into six major categories consisting of 28 products. The six categories include: (i) international business and products, consisting of ten products, namely, import letters of credit, export letters of credit, import collection, export collection, letters of guarantee for financing, letters of guarantees for non-financing purposes, overseas loans secured by domestic guarantee, import payment, import documentary bills and export documentary bills; (ii) domestic letters of credit products, consisting of seven products, namely, letters of credit at sight, usance letters of credit, negotiation credit, and usance letter of credit payable at sight, letters of credit reimbursement, reimbursement refinance and forfeiting under letters of credit; (iii) commercial acceptance bill products, consisting of six products, namely, guaranteed discounting for commercial bills, commercial bill discounting, commercial bills exchanged for bank drafts, agency discounting for commercial bills, guaranteed payment under letters of guarantee on commercial bills, and "Shang Fu Tong (商付通)"; (iv) prepayment financing, consisting of three products, namely, single prepayment financing, prepayment financing in escrow by third-parties, and prepayment financing with buy-back; (v) order financing products; and (vi) "Mian Fei Gong (免費供)"

products. At December 31, 2013 and 2014 and June 30, 2015, our corporate trade finance loans amounted to RMB1,190 million, RMB2,454 million and RMB2,558 million, respectively, accounting for 2.7%, 4.7% and 4.4%, respectively, of our total corporate loans.

Corporate Loan Customers

The table below sets forth our corporate loans by size of corporate borrowers at the dates indicated.

	At December 31						At 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 large corporate customers(1)	3,891	11.9%	5,555	12.8%	8,295	16.1%	9,132	15.6%
Loans to medium-sized corporate customers(1)	11,111	34.1	15,382	35.4	13,823	26.7	15,960	27.3
Loans to small and micro corporate customers(1)	17,597	54.0	22,471	51.8	29,553	57.2	33,335	57.1
Total corporate loans	**32,599**	**100.0%**	**43,408**	**100.0%**	**51,671**	**100.0%**	**58,427**	**100.0%**

(1) The classification criteria for large, medium, small and micro enterprises are set forth in the Provisions on the Classification Standards of Small and Medium Enterprises.

Loans to Small and Micro Enterprises

Providing loans to small and micro enterprises is an important part of our corporate loan business. We aim to better serve small and micro enterprise customers and to develop our financial service brand for these customers by offering professional, comprehensive and efficient financing solutions and services to cater to their financing needs. We make corporate loans to small and micro enterprises or personal business loans to the owner of an enterprise to meet their financing needs arising from the business operations of such enterprises. Please see "— Customer Base" for our marketing approaches to small and micro enterprises.

Our small and micro enterprise business has won numerous awards and recognitions, including the "Best Financial Institution for Small and Micro Enterprises in 2014" award, which was and the most valuable award among the "7th China Financial Institution Golden Prizes". As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had 1,944, 2,701, 3,425 and 3,920 small and micro enterprise loan customers, respectively, and our loans to small and micro enterprises amounted to RMB17,597 million, RMB22,471 million, RMB29,553 million and RMB33,335 million, respectively, accounting for 54.0%, 51.8%, 57.2% and 57.1%, respectively, of our total corporate loans. Our small and micro enterprises customers operate business in a wide range of industries, including wholesale and retail, manufacturing, construction and real estate.

We have launched 25 loan products in 12 series for small and micro enterprises to cater to their diverse financing needs. For instance, our "Five Ones (五個一)" loan product under the series of "Ji Su Dai (急速貸)" is a financing product for small merchants operating business in specialized marketplaces in Zhengzhou. "Five Ones" refers to one financing solution to small enterprise customers operating business in a marketplace with an aggregate revolving credit facility secured by collateral of an aggregate maximum amount, upon one credit investigation, review and approval process under a special credit authorization to a branch. The credit facilities to these merchants are generally secured by collateral provided by the manager of the marketplace on its land use right, ownership of properties or rental income. The manufacturer-distributor-bank loan product included under the "He Li Ying (合利贏)" series is financing solution involving manufacturers, distributors and us, secured by joint guarantees provided by local guarantors for the benefits of distributor borrowers. We, the manufacturer, and the distributor sign a triparty agreement pursuant to which we agree to extend credit to the distributor while the manufacturer agrees to assume joint liability with the distributor or buy back unsold goods. Our joint-guaranteed loans under the "Jie Ban Ying" series target small enterprises and entrepreneurs who form groups to provide cross guarantees, agree on overall credit limits and apply for credits with us jointly. Each borrower provides joint guarantee for the benefit of other borrowers in the group. We grant the borrowers in the same group an aggregate credit limit. Loan products under our "Jie Ban Ying" series were awarded a "Top Ten Outstanding Loan Products to Small and Micro enterprise in 2013" by the Henan Province Banking Association.

As a local city commercial bank, leveraging on our deep understanding of the local economy and sharp perspectives on market trends, we have continuously developed and launched innovative business and products. We successfully issued special financial bonds in May 2013 and raised RMB5.0 billion which we used to make loans to local small and micro enterprises. We have also launched loans secured by accounts receivable and utilized PBoC's accounts receivable platform to accept accounts receivable held by farmers as collateral to address their funding needs for. In 2014, we granted 206 loans secured by accounts receivable in an aggregate amount of RMB126 million.

Loans to Large and Medium-sized Enterprises

Large and medium-sized enterprises are our important customers, with whom we focus on developing business relationship. We provide various loan products to large and medium-sized enterprises, including working capital loans, fixed asset loans and trade finance. Our large and medium-sized enterprise customers mainly include large state-owned and private enterprises operating in a wide range of industries, including wholesale and retail, manufacturing, construction and real estate. At December 31, 2012, 2013 and 2014 and June 30, 2015, our loans to large and medium-sized enterprises amounted to RMB15,002 million, RMB20,937 million, RMB22,118 million and RMB25,092 million, respectively, accounting for 46.0%, 48.2%, 42.8% and 42.9%, respectively, of our total corporate loans.

We target large enterprise customers in the supply chains as "core enterprises" to develop other customers including medium-sized, small and micro enterprises. We also actively develop large enterprise customers with strong influence on other enterprises along the supply and distribution chains and good prospects. Furthermore, we have selected and supported medium-sized enterprise customers with clearly defined primary business, stable market shares and strong ability of sustainable operations, which have potential to grow into large enterprises. We seek to provide customized financial products and services tailored to the specific financial needs of large and medium-sized corporate customers. We have launched the "Chang Xiang (暢享)" series of wealth management products specifically designed for high-net-worth corporate customers with sound operating results and good business relationship with us. Please see "— Customer Base" for the marketing approaches to large and medium-sized enterprise customers.

Bill Discounting

Bill discounting refers to our purchase of (i) bank acceptance bills and commercial acceptance bills with remaining maturities of less than six months, and (ii) electronic bank acceptance bills and commercial acceptance bills with remaining maturities of less than one year at discounts. Bill discounting provides short-term financing to our corporate banking customers. We may resell these bills to PBoC or other financial institutions licensed to conduct bill discounting business, to obtain additional liquidity and net interest income. At December 31, 2012, 2013 and 2014 and June 30, 2015, our discounted bills amounted to RMB7,375 million, RMB4,360 million, RMB4,920 million and RMB4,825 million, respectively, accounting for 14.7%, 6.9%, 6.3% and 5.6%, respectively, of our total loans. At December 31, 2012, 2013 and 2014 and June 30, 2015, our total bank acceptance bills accounted for 100.0%, 98.0%, 80.2% and 84.2%, respectively, of our total discounted bills.

International Business and Service

We obtained the qualification for operating international business in late 2013, and launched our international business in 2014. Our international business consists primarily of international trade finance and international settlement business.

International Trade Finance

We issue letters of credit and provide import bill advance, delivery against bank guarantee, prepayment financing and import factoring and other services to our corporate banking customers who are importers. We also provide packing finance, export bill purchase, order financing, invoice financing, export factoring, forfeiting and other services to our customers who are exporters. In 2014 and for the six months ended June 30, 2015, the transaction volume of our international trade finance was US$37 million and US$145 million, respectively.

International Settlement Business

In 2013, we started to provide a variety of international trade settlement services to importers and exporters, including letters of credit, import collection, export collection and remittance in foreign currencies. In 2013 and 2014 and for the six months ended June 30, 2015, the settlement volume of our international settlement business amounted to US$20 million, US$150 million and US$728 million, respectively.

Other Services

As part of our international business, we also offer deposits and loans in foreign currencies, foreign currency conversion, spot sale and purchase of foreign currencies against Renminbi, cross-border Renminbi settlement, outbound guarantees and credit information investigation and other services. We have established business relationship with a number of overseas banks and established overseas U.S. dollar, Euro, British pound, HK dollar and Japanese yen accounts, thus forming a service network covering the entire Henan Province and connecting our overseas correspondent or agency banks.

Corporate Deposits

We offer time deposits and demand deposits to corporate banking customers in Renminbi and major foreign currencies. We generally offer time deposits with tenors from three months to five years. The table below sets forth our corporate deposits by product type at the dates indicated.

	At December 31						At 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	32,973	77.2%	40,762	69.4%	49,757	67.1%	49,394	61.8%
Time deposits	9,726	22.8	17,938	30.6	24,368	32.9	30,515	38.2
Total corporate deposits	**42,699**	**100.0%**	**58,700**	**100.0%**	**74,125**	**100.0%**	**79,909**	**100.0%**

We offer time deposits with maximum tenors of five years in general. We offer negotiated deposit products at negotiated interest rates and terms and conditions taylored to each customer. In addition, we also provide notice deposits that offer higher interest rates than those on demand deposits, and our customers can withdraw the deposits upon advance notice. At December 31, 2012, 2013 and 2014 and June 30, 2015, our total corporate deposits were RMB42,699 million, RMB58,700 million, RMB74,125 million and RMB79,909 million, respectively, accounting for 57.2%, 57.5%, 55.9% and 54.7%, respectively, of our total deposits.

Fee- and Commission-based Products and Services to Corporate Customers

We provide our corporate banking customer with a broad range of fee- and commission-based products and services, including bank acceptance, the issuance of domestic letters of credit, letters of guarantees, agency services, wealth management services, other domestic settlement and fee- and commission-based products and services. In 2012, 2013 and 2014, the net fee and commission income generated from our corporate banking customers was RMB14 million, RMB52 million and RMB136 million, respectively. For the six months ended June 30, 2015, such net fee and commission income amounted to RMB83 million.

Bank Acceptance

We provide bank acceptance services to our corporate banking customers. The product utilizes bank credits to provide reliable and convenient payment and settlement to support the production and operating activities of our customers. Our bank acceptance services are in Renminbi and their terms generally do not exceed six months. At December 31, 2012, 2013 and 2014 and June 30, 2015, our bank acceptances amounted to RMB14,534 million, RMB17,296 million, RMB26,565 million and RMB35,351 million, respectively, representing a CAGR of 35.2% from December 31, 2012 to December 31, 2014.

Issuance of Domestic Letters of Credit

We issue domestic letters of credit to our corporate banking customers. A domestic letter of credit refers to a payment undertaking issued by the issuing bank upon an application made by the applicant, whereby the payment is made upon the presentation of the documents in accordance with the terms of the letter of credit, to settle trades in goods among domestic enterprises. Our letters of credit are irrevocable, non-transferable documentary letters of credit and no cash withdrawal is involved. Our domestic letters of credit services include issuance of domestic letters of credit, domestic usance letters of credit, and payment financing, packing finance, financing for despatch of documents and negotiation under domestic letters of credit. We commenced our domestic letters of credit business in 2013. At December 31, 2013 and 2014 and June 30, 2015, the balance of letters of credit issued by us was RMB1,453 million, RMB2,618 million and RMB2,790 million, respectively.

Letters of Guarantee Services

We provide letters of guarantee to our corporate banking customers, including letters of guarantee for financing and non-financing purposes. Letters of guarantee for financing include letters of guarantee to secure loans or payments under securities or to support financial leasing or deferred payments. Letters of guarantee for non-financing purposes include letters of guarantee to support payments, prepayments, bidding for construction project, performance by construction contractors, construction work maintenance, contracts for processing or trade in goods, and warranty of quality. In recent years, we have focused on growing our business of letters of guarantee. At December 31 of 2012, 2013 and 2014 and June 30, 2015, the balance of letters of guarantee issued by us was RMB70 million, RMB326 million, RMB839 million and RMB1,188 million, representing a CAGR of 246.2% from December 31, 2012 to December 31, 2014.

Agency Services

Our agency services include payroll services and collection and payment of non-tax revenue services. In 2012, 2013, 2014 and the six months ended June 30, 2015, the total transaction volume of our agency services amounted to RMB14.8 billion, RMB14.9 billion, RMB16.2 billion and RMB9.1 billion, respectively. We are qualified to provide payroll services to the government agencies and institutions whose payroll expenses are allocated from local fiscal budgets, and process authorized payments and non-tax revenue collection and payments in Zhengzhou. We have obtained stable personal deposit. Payroll services provide us with a stable source of personal deposits, help us expand our affluent and high-net worth retail customer base and promote cross selling. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had 1,662, 2,008, 2,417 and 2,615 payroll service customers, respectively. In 2012, 2013, 2014 and the six months ended June 30, 2015, the total amount of salaries and benefits, allowances and subsidies paid through our agency services were approximately RMB8,434 million, RMB8,840 million, RMB9,710 million and RMB5,063 million, respectively.

Wealth Management Services

We have launched wealth management products with different terms and yields based on market dynamics and customers' risk appetite to satisfy our corporate banking customers' needs for financial investments. We mainly provide wealth management products or solutions to institutional customers under our "Chang Xiang" (暢享) brand. Based on the type of our institutional customers, our wealth management products are classified into regular products and customized products. Regular products are standardized products offered publicly, while customized products are developed based on our customers' special requirements. The minimum amount of customized wealth management products is RMB100 million. Please see "— Treasury Business — Treasury Business Conducted on Behalf of Customers".

Other Products and Services

In addition to the products and services mentioned above, we also provide other fee- and commission-based products and services, such as other domestic settlement services, financial advisory services, and loan commitments.

Customer Base

As of June 30, 2015, we had 76,265 corporate deposit customers and 4,186 corporate loan customers, respectively. Our corporate banking customers mainly include state-owned enterprises, private enterprises, governmental departments and other institutional customers.

Large enterprises have always been our important customers. Therefore, we have focused on developing business relationship with large corporate customers. Our large corporate customers include listed companies headquartered in Henan Province and leading enterprises with subsidiaries in Zhengzhou. We seek to provide customized services to our large corporate customers. For instance, we provide guaranteed discounting of commercial bills to one group customer to facilitate its centralized cash management, allow its subsidiaries and affiliates to issue commercial bills based on their operating and procurement needs and support its commercial operations. As of June 30, 2015, we had 621 large corporate customers, consisting primarily of state-owned enterprises and key enterprises in Henan Province.

In addition to proactively developing large corporate customers, we are also committed to developing quality small and micro enterprise customers in Henan Province. In order to promote our small and micro enterprise business and expand our customer base, we established a small enterprise credit department at our head office in 2006 and a small business financing department in April 2009. Our small business financing department leads our small and micro enterprise business, including overseeing financial products development and reviewing and approving loans to small and micro enterprises originated by our branches and sub-branches. As of June 30, 2015, we had 15 retail banking sub-branches, seven small and micro enterprise sub-branches, and one small enterprise marketing center conducting cross-city marketing, under the management of our small business financing department, to provide better specialized financing services to small and micro enterprises. The small and micro enterprise sub-branches are established in locations such as marketplaces where small and micro enterprises operate their business and small enterprise industrial parks. Compared to our other branches, the small and micro enterprise sub-branches have clear-cut functional setup, targeted local markets and customers, and convenient and flexible services. We provide both standardized and customized financial service solutions to small and micro enterprises, where our existing products do not satisfy our customers' needs. The product research and development center under our small business financing department review the needs of our customers jointly with the relevant sub-branches, and develop tailored financial services to support the customers' business development. For instance, considering small enterprises' small scale, lesser financial strengths and difficulties in obtaining financing, we promote loans secured by pledges on accounts receivable registered with the Credit Reference Center of PBoC. In addition, we focus on the development of customers in the retail and wholesale industry operating in shopping malls and marketplaces. Our development of customized products for these customers, cross-selling among merchants and active participation in promotional events organized by marketplace managers have increased the loyalty of our customers. As of June 30, 2015, we had 3,920 small and micro enterprise loan customers with an aggregate amount of RMB33,335 million of small and micro enterprise loans outstanding.

Our five largest borrowers and five largest depositors accounted for less than 10% of our total loans to customers and total deposits from customers, respectively, as of December 31, 2012, 2013, and 2014 and June 30, 2015.

Retail Banking Business

We provide a wide range of products and services to our retail banking customers, including loans, deposits, bank cards and fee- and commission-based products and services. In recent years, we have achieved remarkable growth in our retail banking business. For the years ended December 31, 2012, 2013, 2014 and the six months ended June 30, 2015, operating income from our retail banking business accounted for 15.0%, 15.8%, 19.0% and 17.9%, respectively, of our total operating income for the corresponding periods.

As of June 30, 2015, we had 51,361 personal loan customers and 3,301,257 personal deposit customers.

Personal Loans

Our personal loans mainly include personal business loans, residential mortgage loans, personal consumption loans, auto loans and credit card balances. We are focused on satisfying diverse needs of retail banking customers with our personal loan products. At December 31, 2012, 2013 and 2014 and June 30, 2015, our personal loans amounted to RMB10,187 million, RMB15,176 million, RMB21,395 million and RMB23,117 million, respectively, accounting for 20.3%, 24.1%, 27.4% and 26.8% of our total loans to customers at the same dates. The table below sets forth our personal loans by product type at the dates indicated.

	At December 31						At 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	4,962	48.7%	8,977	59.2%	11,352	53.1%	12,624	54.6%
Residential mortgage loans	3,153	31.0	3,583	23.6	6,047	28.3	6,153	26.6
Personal consumption loans	922	9.0	1,519	10.0	2,823	13.2	3,101	13.4
Auto loans	1,149	11.3	1,097	7.2	1,105	5.1	972	4.2
Credit card balances	—	—	—	—	68	0.3	267	1.2
Others	1	—	—	—	—	—	—	—
Total personal loans	**10,187**	**100.0%**	**15,176**	**100.0%**	**21,395**	**100.0%**	**23,117**	**100.0%**

Personal Business Loans

We provide personal business loans to retail banking customers to meet their working capital needs and other operational demands. At December 31, 2012, 2013 and 2014 and June 30, 2015, our personal business loans amounted to RMB4,962 million, RMB8,977 million, RMB11,352 million and RMB12,624 million, respectively, accounting for 48.7%, 59.2%, 53.1% and 54.6%, respectively, of our total personal loans at the corresponding dates.

Residential Mortgage Loans

We provide residential mortgage loans to our retail banking customers to build or purchase new or second hand residential properties. These loans are secured by the residential properties built or purchased by the borrowers and the loan-to-value ratio shall not exceed 70%. Our residential mortgage loans generally have tenors of up to 30 years. At December 31, 2012, 2013 and 2014 and June 30, 2015, our residential mortgage loans amounted to RMB3,153 million, RMB3,583 million, RMB6,047 million and RMB6,153 million, respectively, accounting for 31.0%, 23.6%, 28.3% and 26.6% at the corresponding dates, respectively, of our total personal loans.

Personal Consumption Loans

We provide personal consumption loans to meet the financing needs of our retail banking customers arising from their renovation of residential properties, purchases of durable consumer goods and large consumptions. Our personal consumption loans are generally secured by properties of the borrowers or other collateral acceptable to us. The loan maturity generally does not exceed three years. At December 31, 2012, 2013 and 2014 and June 30, 2015, our personal consumption loans amounted to RMB922 million, RMB1,519 million, RMB2,823 million and RMB3,101 million, respectively, accounting for 9.0%, 10.0%, 13.2% and 13.4% of our total personal loans, respectively.

Auto Loans

Our auto loans currently cover the loans to finance purchases of automobiles and engineering machinery and equipment. Our auto loans generally have a term of up to five years. The auto loan borrower may provide the automobiles or engineering machinery purchased as security or other pledges or sureties. At December 31, 2012, 2013 and 2014 and June 30, 2015, our auto loans amounted to RMB1,149 million, RMB1,097 million, RMB1,105 million and RMB972 million, respectively.

Credit Card Overdraft

We obtained the qualification for issuing credit cards in June 2014 and started to issue credit card in October 2014. At December 31, 2014 and June 30, 2015, total overdraft on the credit cards we issued was RMB68 million and RMB267 million, respectively.

Personal Deposits

We provide demand deposit, time deposit and notice deposit products in Renminbi and major foreign currencies (including U.S. dollar, HK dollar, Euro, Japanese yen and British pound) to retail banking customers. Our deposits are generally in Renminbi currently. The term of our personal Renminbi-denominated time deposits ranges from three months to five years. Notice deposits may be withdrawn by giving prior notice of either one day to seven days, and offer higher interest rates than demand deposits. At December 31, 2012, 2013 and 2014 and June 30, 2015, our personal deposits amounted to RMB20,922 million, RMB29,825 million, RMB38,023 million and RMB42,418 million, respectively, accounting for 28.0%, 29.2%, 28.7% and 29.0% of our total customer deposits, respectively.

Bank Card Service

Debit Cards

We issue Renminbi-denominated debit cards, "Shangding Card (商鼎卡)", to retail banking customers who maintain deposit accounts with us. Our debit cards do not charge any annual fees or small-amount management fees, and provide payment services covering daily living expenses. Our debit cards support multiple functions, including cash deposit and withdrawal, remittance and transfer, consumption payment settlement, and agency payroll service and payment withholding for living expenses. We develop our basic customers and high-net-worth customers through multiple services.

Our retail banking customers are classified into basic customers, premium customers, golden customers, platinum customers, diamond customers and private banking customers. Currently, the debit cards we have offered include the "Shangding Card" and special themed cards such as the Zodiac card, the "Beauty Card (麗人卡)", the "Logistics Card (物流卡)", the "Residential Card (安居卡)", "Henan Province (Zhengzhou City) Labor Union Membership Card (河南省(鄭州市)工會會員卡)" and the "Regional Card (區域卡)". Under the strategic guidance of developing commerce and logistics bank, we have vigorously launched "Logistics Card". With our "Logistics Card", the logistics companies can open a settlement account with us. The fund will be settled and transferred to the settlement account of the logistics company after the consignee confirms its receipt of cargos. We are able to allocate the funds to our customers' logistics cards through our system. As a member of China UnionPay, our debit cards are acceptable not only by our own network but also throughout the China UnionPay network located in the PRC and many other countries and regions. As of December 31, 2012, 2013 and 2014, we issued approximately 1,696 thousand, 1,955 thousand and 2,279 thousand debit cards, respectively. As of June 30, 2015, we issued a total of approximately 2,430 thousand debit cards.

Credit Card

In June 2014, we obtained CBRC's approval to issue credit cards. In October 2014, we began to issue credit card products. Our credit cards can be settled with Renminbi or other certain foreign currencies, and they can be used in other banks or regions through China UnionPay network. We issue different categories of credit cards, including general cards, golden cards, standard platinum cards, luxury platinum cards and diamond cards based on the income, asset, and credit status of our customers. Some value-added services are provided to the cardholders depending on the types of the credit card. For example, we provide credit card theft insurance to our VIP customers.

As of June 30, 2015, we issued a total of 12,136 credit cards, representing an increase of 231.5% as compared to the end of 2014. Our credit card business is managed and operated by our credit card department, which cooperates with our sub-branches to promote the marketing, application, approval, issuance, account management and customer service of the credit cards.

The revenue of our credit card business mainly derives from the transactional service fees charged from the merchants and the interests, annual fees, installment payment and other fees charged from the cardholders. From October 2014 to December 31, 2014, our total transaction volume of credit card issued and the related revenue were RMB93.3 million and RMB0.2 million, respectively. In the six months ended June 30, 2015, our total transaction volume of credit card issued and the related revenue were RMB870 million and RMB3 million, respectively.

Retail Banking Intermediary Business

We offer diversified intermediary services to our retail customers, including personal wealth management, agency services and payment services. In 2012, 2013 and 2014, the net income from our retail banking intermediary businesses was RMB28 million, RMB26 million and RMB38 million, respectively, representing a CAGR of 16.5% from 2012 to 2014. For the six months ended June 30, 2015, the net income from our retail banking intermediary businesses was RMB35 million, representing an increase of 59.1% as compared to the same period of 2014.

Personal Wealth Management Services

We provide diversified wealth management products and services to retail banking customers under the "Jin Wu Tong (金梧桐)" brand, which mainly include "Jin Wu Tong Dingcheng (金梧桐鼎誠)", "Jujin (聚金)" and "Juxin (聚鑫)" series. The "Dingcheng" and "Jujin" series are developed for all retail banking customers while the "Juxin" series is an exclusive customized product for private banking customers. Our personal wealth management products provide customers with choices of investments with good returns and maintain our existing customers and the development of our competitive wealth management products help us explore external customer groups to enhance our competitiveness. The ultimate goal of our wealth management service is to create intermediary business income and achieve a desirable outcome for both our customers and us by taking wealth management product as the tool to improve our financial service level.

Agency Services

Our agency services mainly include fund distribution, agency sales of insurance products, agency sales of precious metal and agency sales of wealth management products.

Fund Distribution. We obtained CSRC's approval to distribute open-end fund products as an agent. Our fund distribution customers can subscribe, purchase and redeem fund products through our branches, online banking, e-commercial platforms and other channels. As of June 30, 2015, we had established cooperation with eight large asset management companies, and provided agency services for about 73 fund products. We launched "Xin Tian Li (薪添利)" in March, 2015 to provide customers with choices of investments with good returns. "Xin Tian Li" features low starting amount for investment without time limit on purchase, flexible redemption, low risk and high investment income, which meets diversified demands of our customers.

Agency Sales of Insurance Products. We provide agency sales of insurance products services to our retail customers. As of June 30, 2015, we had established cooperation with six large insurance companies.

Agency Sales of Precious Metal. We provide agency sales of precious metal products services, including agency sales of precious metal products and agency service for precious metal transaction. Our major products for the agency sales of precious metal products include the gold bars series, the gold and silver commemorative coins series, and the medals series.

Agency Sales of Wealth Management Products. We began to provide agency sales of wealth management products services to retail banking customers in 2013. As of the Latest Practicable Date, we had established cooperation with the other city commercial bank in wealth management business.

Payment Services

We provide bill payment services, including payment of utility bill, gas fee, heating fee and telephone charge for retail banking customers through the counters, self-service terminals, telephone banking, online banking and automatic payment agreement.

Retail Banking Customer Base

We have an extensive retail banking customer base in Henan Province. The customer base for personal deposits and loans has expanded rapidly in recent years. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had 2,627,813, 2,871,485, 3,168,938 and 3,301,257 personal deposit customers, respectively, and 29,755, 33,935, 48,540 and 51,361 personal loan customers, respectively.

We classify our retail customers into general customers (having personal financial assets of less than RMB50,000), premium customers (having personal financial assets of RMB50,000 (inclusive) to RMB300,000), golden customers (having personal financial assets of RMB300,000 (inclusive) to RMB500,000), platinum customers (having personal financial assets of RMB500,000 (inclusive) to RMB1,000,000), diamond customers (having personal financial assets of RMB1,000,000 (inclusive) to RMB6,000,000) and private banking customers (having personal financial assets exceeding RMB6,000,000 (inclusive)) according to the balance of customers' monthly daily average financial assets (including deposits, wealth management products, fund products and account balances under custody and management for third parties). Our customer relationship specialists keep regular contacts with customers to provide daily services for them. We regularly contact customers at different levels at different frequency. We focus on the development of general customers and high-end customers. As of June 30, 2015, we had 13,583 retail banking customers with personal financial assets of more than RMB500,000. Their total personal financial assets in accounts with us totaled to RMB24,996 million as of the same date.

Treasury Business

Our treasury business primarily focuses on meeting our liquidity needs and, at the same time, seeks to maximize the return on our funds for non-lending activities. Our treasury business primarily includes engaging in money market transactions, investing in securities and other financial assets, bond underwriting and distribution, interbank discounts and rediscounts of bills and treasury business conducted on behalf of customers. In 2012, 2013, and 2014, operating income from our treasury business was RMB412 million, RMB1,038 million and RMB1,637 million, respectively, a CAGR of 99.3% from 2012 to 2014. In the six months ended June 30, 2015, the operating income from our treasury business was RMB1,522 million, representing an increase of 133.4% as compared to the same period in 2014.

Money Market Transaction

Our money market transaction consists of (i) interbank deposits with other domestic banks and non-banking financial institutions; (ii) interbank lending with other domestic banks and non-banking financial institutions; and (iii) securities repurchase and reverse repurchase transactions with other domestic banks and non-banking financial institutions. The securities underlying repurchase and reverse repurchase transactions primarily include bonds issued by the PRC central government and policy banks.

Interbank Deposits. At December 31, 2012, 2013, 2014 and June 30, 2015, the deposits from banks and other financial institutions amounted to RMB7,928 million, RMB14,213 million, RMB32,187 million and RMB29,923 million, respectively, representing 8.3%, 10.2%, 16.7% and 14.1% of our total liabilities, respectively. At December 31, 2012, 2013 and 2014 and June 30, 2015, the balances of our deposits with banks and other financial institutions amounted to RMB2,084 million, RMB6,196 million, RMB1,835 million and RMB3,245 million, respectively, representing 2.0%, 4.1%, 0.9% and 1.4% of our total assets at the same date, respectively.

Interbank Lending. At December 31, 2012, 2013, 2014 and June 30, 2015, our placements from banks and other financial institutions amounted to RMB200 million, RMB2,000 million, RMB1,003 million and RMB1,862 million, respectively, representing 0.2%, 1.4%, 0.5% and 0.9% of our total liabilities, respectively. At December 31, 2013 and June 30, 2015, our placements with banks and other financial institutions amounted to RMB886 million and RMB1,862 million, respectively, representing 0.6% and 0.8% of our total assets, respectively. We did not have placements with banks and other financial institutions at December 31, 2012 and 2014.

Securities Repurchase and Reverse Repurchase. At December 31, 2012, 2013, 2014 and June 30, 2015, our financial assets sold under repurchase agreements were RMB11,328 million, RMB13,490 million, RMB15,783 million and RMB12,023 million, respectively, representing 11.8%, 9.6%, 8.2% and 5.6% of our total liabilities, respectively. At December 31, 2012, 2013, 2014 and June 30, 2015, our financial assets held under resale agreements were RMB2,181 million, RMB7,268 million, RMB6,576 million and RMB8,674 million, respectively, representing 2.1%, 4.9%, 3.2% and 3.8% of our total assets, respectively.

In 2014, we became a primary member bank of self-regulated interest rate pricing association. We also won the 2014 Interbank Market Best Progress Award issued by the China Foreign Exchange Trade System, and Outstanding Members of China Bonds — Bond Business Progress Award for 2014 issued by China Central Depositary & Clearing Co. Ltd. Further, we became a member of first-class dealer for open market on February 28, 2015. We became a member of the state treasury cash tender for 2015-2017 on May 20, 2015.

Investments in Securities and Other Financial Assets

Our investments in securities and other financial assets mainly include investments in bonds and debt instruments issued by financial institutions. For the years ended December 31, 2012, 2013, 2014 and the six months ended June 30, 2015, our interest income from investments in securities and other financial assets amounted to RMB1,359 million, RMB2,335 million, RMB3,783 million and RMB2,800 million, respectively.

Investments in Bonds

We primarily invest in PRC government bonds and debt securities issued by PRC policy banks and other financial institutions as well as non-financial institutions. In 2014, we ranked the 34th among all PRC financial institutions and the ninth among PRC city commercial banks, in terms of bond settlement volume. At December 31, 2012, 2013 and 2014 and June 30, 2015, our investments in bonds amounted to RMB16,379 million, RMB24,929 million, RMB35,882 million and RMB36,987 million, respectively. In 2012, 2013 and 2014, the interest income from our investments in bonds was RMB582 million, RMB809 million and RMB1,263 million, respectively. For the six months ended June 30, 2015, interest income from our investments in bonds was RMB819 million, representing an increase of 37.9% as compared to the same period in 2014.

Investments in Other Debt Instruments Issued by Financial Institutions

Our investments in other debt instruments issued by financial institutions mainly include trust plans, asset management plans, rights to rent receivables assigned from financing leasing companies and wealth management products issued by other PRC commercial banks.

At June 30, 2015, our investments in trust plans and asset management plans amounted to RMB29,862 million and RMB21,450 million, respectively. The following table sets forth, at June 30, 2015, the distribution of our total investments in trust plans and asset management plans by remaining maturity.

	At June 30, 2015			
	Trust plans	**Asset management plans**	**Total**	**% of total**
	(in millions of RMB, except percentages)			
Due in up to 3 months	7,120	9,292	16,412	32.0%
Due in over 3 months up to 6 months	3,220	477	3,697	7.2
Due in over 6 months up to 1 year	4,360	450	4,810	9.4
Due in over 1 year up to 3 years	14,252	10,131	24,383	47.5
Due in over 3 years up to 5 years	—	1,100	1,100	2.1
Subtotal	**28,952**	**21,450**	**50,402**	**98.2**
Overdue	910	—	910	1.8
Total	**29,862**	**21,450**	**51,312**	**100.0%**

At June 30, 2015, our investments in non-standard credit assets products amounted to RMB37,499 million, of which RMB25,734 million were investments in trust plans under which credit facilities were extended to financing parties (representing 68.6% of our total investments in non-standard credit assets products) and RMB11,765 million were investments in asset management plans under which credit facilities were extended to financing parties (representing 31.4% of total investments in non-standard credit assets products). The following table sets forth, at June 30, 2015, the distribution of our total investments in non-standard credit assets products by industry classification.

	At June 30, 2015			
	Trust plans under which credit facilities were extended to financing parties	Asset management plans under which credit facilities were extended to financing parties	Total	% of total
	(in millions of RMB, except percentages)			
Water, environment and public utilities management	13,191	9,700	22,891	61.0%
Real estate	4,167	35	4,202	11.2
Manufacturing	1,320	1,830	3,150	8.5
Wholesale and retail	2,615	—	2,615	7.0
Transportation, storage and postal services	840	—	840	2.2
Construction	623	200	823	2.2
Production and supply of electric and heating power, gas and water	600	—	600	1.6
Others	2,378	—	2,378	6.3
Total	**25,734**	**11,765**	**37,499**	**100.0%**

The following table sets forth, at June 30, 2015, the distribution of our total investments in non-standard credit assets products by remaining maturity.

	At June 30, 2015			
	Trust plans under which credit facilities were extended to financing parties	Asset management plans under which credit facilities were extended to financing parties	Total	% of total
	(in millions of RMB, except percentages)			
Due in up to 3 months	3,342	—	3,342	8.9%
Due in over 3 months up to 6 months	2,871	235	3,106	8.3
Due in over 6 months up to 1 year	4,360	450	4,810	12.8
Due in over 1 year up to 3 years	14,251	9,980	24,231	64.7
Due in over 3 years up to 5 years	—	1,100	1,100	2.9
Subtotal	**24,824**	**11,765**	**36,589**	**97.6**
Overdue	910	—	910	2.4
Total	**25,734**	**11,765**	**37,499**	**100.0%**

As at June 30, 2015, we had RMB910 million of our investments in non-standard credit assets products, the payment of principal and/or interests to which investments was overdue, accounting for 2.4% of our total investments in non-standard credit assets products. As at June 30, 2015, there were five financing parties involved in a total of six overdue credit facilities underlying non-standard credit assets products in which we invested (of which two credit facilities were extended to the same financing party). Such overdue credit facilities were used to fund the financing parties or projects in coal trading, storage and logistics, and the agriculture, forestry, animal husbandry and fishery industries. Payment of principal and interest of the overdue credit facilities underlying non-standard credit assets products is secured by properties, land use rights, or certificates of deposit provided by the financing parties or third parties. As at June 30, 2015, the overdue payment of principal of underlying credit facilities was overdue within one year and the overdue payment of interests of underlying credit facilities was overdue within one year to two years. In respect of such overdue credit facilities, as at June 30, 2015 we had carried out steps and procedures in accordance with our risk management for our treasury business, including in certain cases requesting the relevant trust companies to enforce the collaterals provided for the overdue credit facilities and bring legal proceedings against the defaulting financing parties as appropriate and the trust companies have done so upon our request. Please see "Risk Management — Credit Risk Management — Credit Risk Management for Treasury Business".

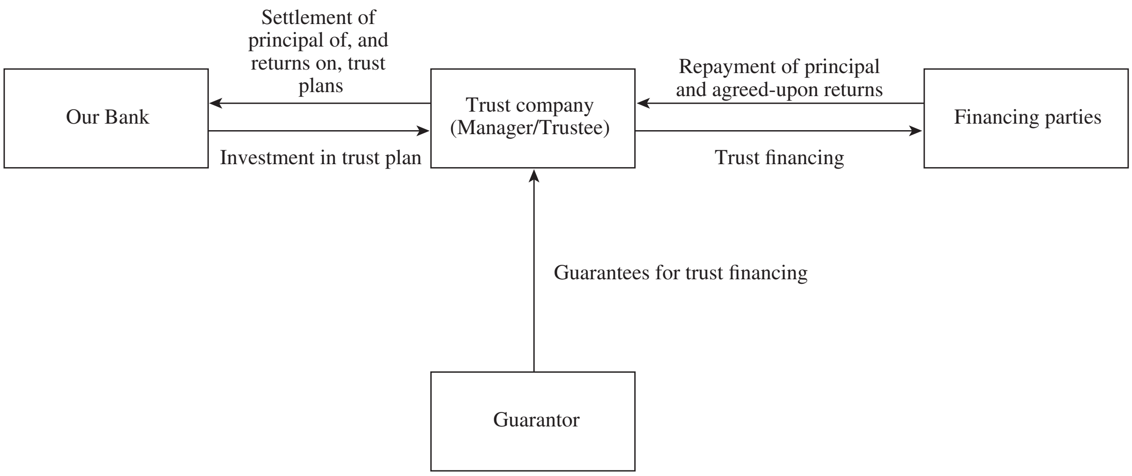
In addition to our risk management measures taken as stated above, we also assess our investments in non-standard credit assets products regularly to determine whether there is any objective evidence for impairments, and, if so, the amount of impairment losses. Please see in Note 2(4)(ii) to the Accountants' Report in Appendix I to this prospectus. As at June 30, 2015, we had made provisions for impairment losses on our overdue investments in non-standard credit assets products in an amount of RMB28.6 million in accordance with the requirements under IFRS and our accounting policies. We made such provisions mainly for an overdue credit facility under a trust plan in which we invested, and we believe that the allowance we have made was sufficient to cover the estimated losses on our overdue investments in the trust plan after considering the value of the collateral provided for such overdue credit facility. Besides, as at June 30, 2015 the value of the collaterals provided for each of the other five overdue credit facilities under the trust plans in which we invested also significantly exceeded the principal amount of each of such overdue credit facilities.

As of June 30, 2015, approximately 30.0% of the non-standard credit assets products in our investment portfolio had remaining maturities of up to one year, which have the relatively high liquidity. In addition, we have formulated a liquidity risk contingency plan. We seek to adopt appropriate contingency measures based on the severity of liquidity risks. To meet short-term liquidity needs, we generally use our normal alternative funding sources and initiate relevant fund allocation procedures to bring the liquidity indicators to an adequate level. Under extreme circumstances where the disposal of our investments in non-standard credit assets products is not feasible and therefore cannot provide sufficient liquidity support, our asset and liability management committee will review the potential impact to determine appropriate measures, including the control or suspension of certain new asset businesses and disposal of certain assets in accordance with asset liquidation procedures and orders in a planned manner to maintain sufficient liquidity support.

Trust Plans

Our investment in trust plans primarily include investments in financial instruments linked to beneficiary rights under trust plans sponsored by trust companies or trust beneficiary rights assigned from other financial institutions. By investing in trust plans, we, as the trustor of the trust investment, entrust the trust companies, as the trustee of the trust investment, to grant credit facilities to the financing parties in their own names and the trust companies are responsible for the management of trust funds. The financing parties' obligations owed to the trust companies are secured by mortgages or irrevocable and joint and several guarantees provided by guarantors to the trust companies. The financing parties use the funds provided by trust companies for their business operations, and are required to repay the principal and the agreed returns within the life of the trust plans.

The following chart shows the relationship among the parties involved in our investments in trust plans.



A trust company must satisfy the following conditions to act as the trustee managing the trust plans we invest in: (i) it has good compliance records and sound internal control and risk management; (ii) it does not have adverse reputation in the market; and (iii) it has paid-up capital of more than RMB300 million, total assets of more than RMB2.5 billion, owners' equity of RMB1.5 billion and trust assets under management of more than RMB50 billion. We evaluate trust companies cooperating with us on an annual basis and terminate business cooperation with them in case of any negative information or misappropriation of funds discovered during the periods of our cooperation . As of June 30, 2015, we had entered into trust investment contracts with 14 trust companies. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our investments in trust plans under which credit facilities were extended to financing parties amounted to RMB11,001 million, RMB18,137 million, RMB26,504 million and RMB25,734 million, respectively. In 2012, 2013 and 2014 and for the six months ended June 30, 2015, interest income from our investments in such trust plans was RMB713 million, RMB1,193 million, RMB1,748 million and RMB1,172 million, respectively, and investment yields on such investments ranged between 7.1% and 11.7%, between 5.2% and 10.5%, 5.2% and 12.5% and between 5.3% and 11.5%, respectively.

We consider investments in trust plans to be beneficial to our business for the following reasons: (i) it broadens our marketing channels and our customer base, achieves the complementary development of multi-channels and multi-business models and increases our market penetration; (ii) it enhances our cooperation with other financial institutions, and it helps us learn other banks' experience in business development; (iii) the investment returns from our trust plans are relatively high and the overall investment risk can be controlled in accordance with our requirements; and (iv) cooperation with other financial institutions may help us raise our brand awareness among financial institutions. We believe that trust plans present manageable risks and stable returns. Please see "Risk Management — Credit Risk Management — Credit Risk Management for Treasury Business" for the risk management measures with respect to our investments in trust plans. The financing parties underlying the trust plans we invested in are mostly located in the regions of Henan Province where we have established branches and sub-branches. There are a small number of financing parties outside of Henan Province because we invest in certain trust beneficiary rights assigned from other financial institutions. At June 30, 2015, the proceeds raised through the trust plans in which we invested were primarily used to fund the following types of financing parties or projects: (i) approximately 51.3% were provided to the water, environment and public utilities management industry; (ii) approximately 16.2% were provided to the real estate industry; (iii) approximately 10.2% were provided to the wholesale and retail industry; and (iv) approximately 5.1% were provided to the manufacturing industry. The remaining 17.2% was extended to financing parties in other industries.

We have been advised by King & Wood Mallesons, our PRC legal advisor, that in accordance with the Trust Law of the PRC, trust assets shall be segregated from the assets owned by the trustee, and may not be included in, or become part of, the trustee's own assets. Therefore, any security deposits obtained from the guarantor may not be used to repay the trust company's own debts. The security interests over the trust assets or our investments in trust plans should not be affected even if the trust companies encounter financial difficulties.

Payment of principal and investment returns of our investments in trust plans is fully secured by properties, land, or shares provided by the financing parties or third party guarantors or irrevocable and joint and several guarantees provided by third-party guarantors. At June 30, 2015, approximately 22.5% of our investments in trust plans were secured by real estate properties and land, approximately 25.7% secured by shares, and approximately 51.9% secured by guarantees provided by third-party guarantors. We only invest in trust plans of which the underlying assets are secured by collateral consisting of properties, land and other assets with clear, legal and valid title and ownership. The value of such collateral is assessed and determined by qualified appraisal institutions meeting our requirements. In addition, we generally require the loan-to-value ratio (representing the ratio of the amount of the loan in the underlying transaction to the value of the collateral) to be no more than 60%. We will not invest in trust plans of which the underlying assets are secured by pledges of shares or chattel whose value is less than the aggregate amount of the principal and expected returns on our investments. We will review the business operation, financial condition, credit quality and ability to repay of the guarantors to ensure their capabilities of performing guarantee obligation.

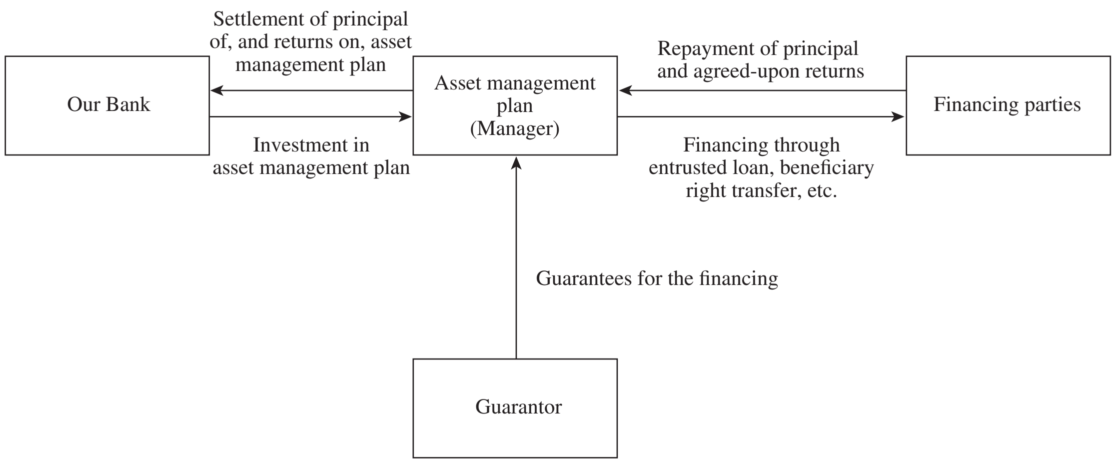
Asset Management Plans

Our investments in asset management plans include (i) investments in negotiated deposits, bonds, bank acceptance bills or other underlying assets, and (ii) investments in asset management assets plans under which credit facilities are extended to pre-determined financing parties.

We invest in negotiated deposits with other banks, bonds, bank acceptance bills or other underlying assets by entering into asset management contracts with reputable asset management companies or securities companies which are qualified to conduct asset management business. Pursuant to the terms and conditions of those contracts, we provide the asset management companies or securities companies with written investment instructions, which set out the particulars of the products we plan to invest in using our funds. The asset management companies or securities companies then invest our funds in other banks' negotiated deposits, bonds, bank acceptance bills or certain other underlying assets pursuant to our written instructions, through our designated accounts with third-party custodian banks, in accordance with the terms and conditions of those contracts.

Our investments in asset management plans under which credit facilities are extended to pre-determined financing parties refers to our subscription for or investment in directional or special asset management plans established by third-party institutions, such as securities companies, asset management companies, subsidiaries of fund management companies, or commercial banks, through entrusted loans, equity transfers, transfer of beneficiary rights or equity financing with repurchase provisions, to satisfy the financing needs of the financing parties. The financing parties' obligations are secured by mortgages or pledges or by irrevocable and joint and several guarantees provided by the guarantors. The financing parties use the funds provided through the asset management plans in their business operations, and are required to repay the principal and the expected returns within the agreed-upon periods. Our investments in asset management plans under which credit facilities are extended to financing parties include special asset management plans (with several financing parties applying for credit facilities) and directional asset management plans (with one financing party applying for credit facilities). The majority of our investments in asset management plans are directional asset management plans. We started to invest in directional asset management plans in 2012.

The chart below illustrates the relationship among the parties involved in our investments in asset management plans under which credit facilities are extended to pre-determined financing parties.



An asset management company or a securities company shall satisfy the following requirements to act as our qualified asset management plan manager: (i) the securities company or asset management company shall have good compliance records, sound internal control and risk management and no adverse reputation in the market; (ii) the securities company shall have share capital of more than RMB500 million and total assets of more than RMB5 billion; (iii) the securities company as the parent of the asset management company shall have share capital of more than RMB5 billion; and (iv) the controlling shareholder of the asset management company shall have registered capital of more than RMB200 million, and the promoter of the controlling shareholder shall be a banking institution. As of June 30, 2015, we had entered into directional asset management contracts with seven securities companies and asset management companies in total. At December 31, 2012, 2013 and 2014 and June 30, 2015, our investments in asset management plans under which credit facilities were extended to financing parties amounted to RMB1,389 million, RMB500 million, RMB9,947 million and RMB11,765 million, respectively. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, interest income from our investments in asset management plans was nil, RMB60 million, RMB331 million and RMB401 million, respectively, and the relevant investment yields were 4.6%, between 8.3% and 8.4%, between 7.7% and 11.5% and between 7.6% and 9.0%, respectively.

We consider our investments in asset management plans to be beneficial to our business, similar to our investments in trust plans. The risk of our investments in asset management plans is manageable and we manage credit risk arising from asset management plans primarily through centralized approval. Please see "Risk Management — Credit Risk Management — Credit Risk Management for Treasury Business" for risk management measures with respect to our investments in asset management plans. The financing parties under the asset management plans we invest in are mostly located in regions of Henan Province where we have established branches or sub-branches. There are a few financing parties outside of Henan Province because we invest in certain asset management plans assigned from other financial institutions. At June 30, 2015, the proceeds raised through the asset management plans in which we invested were used to fund the following financing parties or projects: (i) approximately 82.4% were provided to the water, environment and public utilities management industry; (ii) approximately 15.6% were provided to the manufacturing industry; (iii) approximately 1.7% were provided to the construction industry; and (iv) approximately 0.3% were provided to the real estate industry.

Payment of principal and investment returns on our investments in asset management plans is fully secured by properties, land or shares provided by the financing parties or irrevocable and joint and several guarantee provided by third-party guarantors. At June 30, 2015, approximately 24.2% of our investments in such asset management plans were secured by properties and land, approximately 7.8% secured by shares, and approximately 67.9% secured by third-party guarantors.

Rights to Rent Receivables Assigned from Financial Leasing Companies

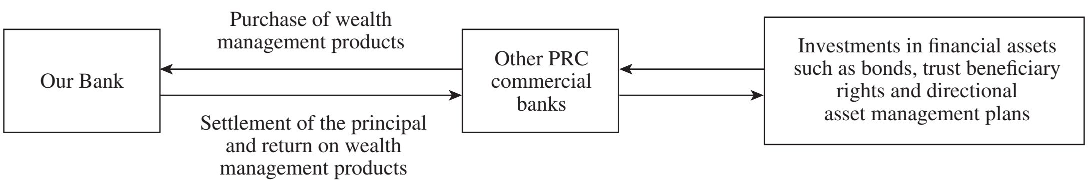
We enter into contract with financial leasing companies to acquire their legal rights to rent receivables prior to the expiration of the relevant lease agreements. Rights to rent receivables are creditors' rights created under the creditor-debtor relationship between the lessor and lessee of a financial lease. We invest in rent receivable rights assigned from financial leasing companies to achieve long-term stable returns on investment. At June 30, 2015, our investments in rent receivables rights amounts to RMB890 million.

Wealth Management Products Issued by Other PRC Commercial Banks

We invest in wealth management products issued by other PRC commercial banks. These PRC commercial banks, as the sponsor and manager of wealth management products, invest the proceeds in bonds, interbank deposits, trust beneficiary rights and asset management plans. The wealth management products issued by other PRC commercial banks we invested in include non-principal protected products with floating investment yields and principal-protected products with floating investment yields. The wealth management products we invest in are mostly at floating investment yields with the actual yields to maturity determined upon the investment portfolio under each wealth management product.

Pursuant to the contracts we entered into with PRC commercial banks issuing wealth management products, PRC commercial banks usually pay the principal and investment returns to us upon the maturity of the products. PRC commercial banks issuing wealth management products are entitled to certain commissions and/or management fees, according to the terms and conditions of the contracts.

The chart below illustrates the relationship among the parties involved in our investments in wealth management products issued by other PRC commercial banks.



At December 31, 2012, 2013 and 2014, our investments in wealth management products issued by other PRC commercial banks amounted to RMB250 million, RMB30 million and RMB200 million, respectively. At June 30, 2015, we did not hold any wealth management products issued by other PRC commercial banks. In 2012, 2013 and 2014 and the six months ended June 30, 2015, interest income from our investments in these wealth management products amounted to RMB1,260,274, RMB270,740, RMB8,302,192 and RMB27,519,174, respectively, and the relevant investment yields ranged between 5.9% and 6.1%, between 5.3% and 5.4%, between 5.2% and 5.8% and between 4.9% and 5.1%, respectively. To manage credit risks arising from our investments in these wealth management products, we mainly invest in wealth management products issued by national joint stock commercial banks and large city commercial banks. For details of the risk management measures with respect to our investments in wealth management products issued by other PRC commercial banks, please see "Risk Management — Credit Risk Management — Credit Risk Management for Treasury Business".

Bond Underwriting and Distribution and Settlement Business

We underwrite and distribute bonds in the PRC interbank bond market as a member of Shanghai Clearing House. We are also a member of the underwriting syndicates of financial bonds issued by the Export-Import Bank of China, China Development Bank and Agricultural Development Bank of China. In 2014, we became an distinguished clearing member of China Central Depository and Clearing Co., Ltd. In 2014, we obtained the qualifications for SHIBOR OTC probationary quotation bank, probationary market maker and probationary underwriter of National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會). For the years ended December 31, 2012, 2013, 2014 and the six months ended June 30, 2015, the aggregate principal amount of bonds underwritten and distributed by us reached RMB21.4 billion, RMB24.9 billion, RMB116.7 billion and RMB141.9 billion, respectively.

Interbank Discounts and Rediscount of Bills

We engage in interbank discounts of commercial bill with other qualified financial institutions or rediscounts of commercial bill with PBoC to generate working capital and income from interest spreads. We offer interbank discount services such as bills buyout, bills sell-off, bills held under reverse repurchase agreements and bills held under repurchase agreements. We rediscount bills in accordance with the regulation of PBoC.

Treasury Business Conducted on Behalf of Customers

Our treasury business also includes the management of the proceeds from the issuance of wealth management products to our corporate customers, institution customers and personal customers.

We started our wealth management business in 2010. We have developed and marketed this business by adhering to the principle of "customer-centered and market-oriented" to improve our market share and competitiveness. Since its first issuance in May 2010, our "Jin Wu Tong" wealth management products have offered cash management and investment channels to our customers.

In 2012, 2013 and 2014, and the six months ended June 30, 2015, we have issued wealth management products in 19 tranches, 39 tranches, 98 tranches and 104 tranches to our customers, respectively, with aggregate funds raised of RMB4,669 million, RMB10,711 million, RMB32,339 million and RMB34,277 million, respectively. The service fees, commission and other net income from our wealth management products were RMB17 million, RMB24 million, RMB29 million and RMB29 million respectively in 2012, 2013, 2014 and the six months ended June 30, 2015.

In 2012, 2013 and 2014, and the six months ended June 30, 2015, average size of each tranche of wealth management products we raised amounted to RMB246 million, RMB275 million, RMB330 million and RMB330 million, respectively. The table below sets forth a breakdown of our wealth management products of different sizes for the periods indicated.

	For the year ended December 31						For the six months ended June 30	
	2012		2013		2014		2015	
	Number of tranches issued	Amount	Number of tranches issued	Amount	Number of tranches issued	Amount	Number of tranches issued	Amount
	(in millions of RMB, except tranches)							
Up to RMB10 million	—	—	—	—	2	14	—	—
Over RMB10 million to RMB50 million	—	—	1	16	1	20	5	250
Over RMB50 million to RMB100 million	3	266	6	470	7	548	7	607
Over RMB100 million to RMB500 million	15	3,803	29	8,249	71	20,862	79	22,414
Over RMB500 million	1	600	3	1,976	17	10,895	13	11,006
Total	**19**	**4,669**	**39**	**10,711**	**98**	**32,339**	**104**	**34,277**

In accordance with the Measures for the Administration of the Sale of Wealth Management Products of Commercial Banks (CBRC Order [2011] No. 5) (《商業銀行理財產品銷售管理辦法》(中國銀行業監督管理委員會令2011年第5號)) issued by CBRC in 2011, we classify wealth management products we issued into five categories based on their risk levels: Level one refers to low risk, level two refers to low-medium risk, level three refers to medium risk, level four refers to medium-high risk and level five refers to high risk. We correlate the risk levels of our wealth management products to risk tolerance level of customers. Wealth management products with level one risk levels are principal-protected products while those higher than level two are non-principal protected products. The wealth management products issued by us are mainly risk level one and risk level two risk products. Customers can purchase our wealth management products through our tellers or customer relationship managers, self-service banking facilities, and our “Ding Rong Yi” Internet financial services platform. We have formulated internal policies and procedures on the sales and marketing of wealth management products to ensure the risk levels of wealth management products purchased by customers match the risk tolerance levels of customers. We conduct a customer suitability assessment before a customer purchases any wealth management products from us for the first time through each of the above channels. Customers can only purchase the wealth management products within their risk tolerance level. We generally reassess each customer’s risk tolerance on an annual basis. Customers purchasing wealth management products with risk levels higher than level four or purchasing our wealth management products for the first time may only make the purchases through our tellers or customer relationship managers at our branches or sub-branches. King & Wood Mallesons, our PRC legal advisor, is of the view that, our above procedures for selling wealth management products meet the relevant requirements under applicable PRC laws and regulations in all material respects.

Proceeds raised by principal-protected wealth management products are mainly invested in money market instruments, bonds, public fund, and assets management plan. Proceeds raised by non-principal protected wealth management productsare mainly composed of money market instruments, bond, public fund, assets management plan and non-standard credit assets. The table below sets forth a breakdown of the cumulative proceeds raised through our wealth management products issued for the periods indicated.

	For the year ended December 31						For the six months ended June 30	
	2012		2013		2014		2015	
	Amount raised	% of total	Amount raised	% of total	Amount raised	% of total	Amount raised	% of total
	(in millions of RMB, except percentages)							
Principal-protected wealth management products	200	4.3%	1,362	12.7%	17,108	52.9%	18,080	52.7%
Non-principal-protected wealth management products	4,469	95.7	9,349	87.3	15,231	47.1	16,197	47.3
Total	**4,669**	**100.0%**	**10,711**	**100.0%**	**32,339**	**100.0%**	**34,277**	**100.0%**

As of June 30, 2015, risk level two wealth management products accounted for substantially all of non-principal protected wealth management products issued by us. Regarding the non-principal protected wealth management products issued by us, we are not responsible for any loss incurred by investors from these products. During the Track Record Period and as of the Latest Practicable Date, all wealth management products we issued are under normal operations with principal and interests paid as scheduled without any default. Investors of our non-principal protected wealth management products have not sustained any losses. In accordance with the requirements of 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.

At June 30, 2015, the outstanding amount of our wealth management products was RMB22.1 billion, of which RMB3.6 billion was invested in bonds, RMB0.2 billion was invested in money market instruments, RMB1.4 billion was invested in public fund, and RMB12.1 billion was invested in asset management plans, RMB 1.2 billion was invested in credit assets transfer projects, RMB3.6 billion was invested in non-standard credit assets, accounting for 16.4%, 0.9%, 6.2%, 54.7%, 5.6%, 16.2%, respectively, of the outstanding amount of our wealth management products at the same date. The proceeds we invest in non-standard credit asset accounted for 28.8%, 17.2%, 6.8% and 16.2% of total amount raised at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, and all of which met CBRC requirements.

At December 31 of 2012, 2013 and 2014 and June 30, 2015, the maturities of wealth management products we issued are generally between one month and one year, with most of them being between one month and six months. In principle, the maturities of wealth management products we issued are consistent with the terms of related investments. Please see "Risk Management— Credit Risk Management — Credit Risk Management for Treasury Business" for risk management measures for the mismatching of wealth management products.

PRICING

Under the regulatory regime of the PRC banking industry, we have established a competitive product pricing mechanism based on risk-adjusted returns. We take various factors into consideration to determine or adjust our prices, such as the capital cost, management cost, risk, expected return and prices guided by government and regulatory body. In addition, we also consider the overall market condition as well as prices of similar products and services offered by our competitors. Our pricing policies and interest rates for deposits and loans are primarily determined by the Asset and Liability Management Committee at our head office. The Asset and Liability Management Committee is composed of senior management and general manager of each business department. It is in charge of pricing issues of each business line. Our business department sets the prices of relevant products and services within authorizations from the Asset and Liability Management Committee.

Loans

Our Renminbi loan rate is subject to regulations of PBoC. There has been no upper limit on interest rates for Renminbi-denominated loans since October 2004. The lower limit of 70% of PBoC's benchmark rate was removed in July 2013. With respect to interest rates of residential mortgage loans, the lowest interest rate we may charge is 70% of the relevant PBoC benchmark rate. Pursuant to the current PBoC rules, we may set loan interest rate other than individual housing mortgage loans through commercial negotiations. With respect to interest rates of residential mortgage loans, according to a notice issued by the State Council, effective from March 17, 2009, the lowest loan interest rate we may charge is 70% of PBoC benchmark rate for the same period. Since May 11, 2010, the lowest interest rate we may set on residential mortgage loans to finance our customers' purchase of a second residential property is 110% of PBoC's published benchmark rate. Effective from May 11, 2015, the minimum down payment ratio was 30% for purchasing the first residential property for self-occupation by a household with mortgage loans, and the lower limit of the mortgage loan interest rate was 70% of the benchmark rate for mortgage loans. For a household that owns one residential property and has fully repaid its mortgage loan, if such household applies for mortgage loan to purchase residential property for upgrading purposes, we apply the same policy for using mortgage loan to purchase the first residential property for self-occupation. For a household that owns two or more residential properties and has fully repaid its mortgage loans, if such household applies for mortgage loan to purchase residential property, the down payment ratio of the mortgage shall not be less than 40%, and the interest rate shall not be lower than 110% of the benchmark lending rate. Currently, we do not offer loans for purchasing the third or additional residential property. Please see "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits". We can determine interbank interest rates and foreign currency loan rates through negotiation since these rates are usually not subject to the regulation of PRC regulatory bodies.

We price our products and service based on various criteria such as the borrower's financial position and credit rating, nature and value of collateral, loan maturity, current market conditions, as well as capital cost, expected rate of return, risks and our internal capital pricing standard. Based on these considerations, we seek to have a pricing mechanism that can match risks with return and can generally charge higher interest rates for customers with relatively high risk profile.

We also set differentiated prices for corporate loans based on the borrower's business scale and contribution, guarantees and industry. For example, we have greater pricing power for small and micro enterprises than large corporate customers. We adopt risk adjustment principle to price personal loans, and usually apply higher interest rates to personal business loan and unsecured personal loan than compared to other types of personal loans.

Deposits

Under the current PRC regulatory regime, a commercial bank in China may set interest rates on deposits based on commercial considerations. We offer a differentiated floating range for interest rates of Renminbi-denominated time deposits. In addition, under certain circumstances, we can provide insurers, the National Council for Social Security Fund and the China Post with term deposits at agreed interest rates.

Since 2004, PBoC has liberalized regulation on deposit and loan interest rates among financial institutions. We negotiate such interest rate primarily based on the market interest rate and our asset and liability management objectives. In addition, commercial banks are currently permitted to negotiate and determine the interest rates on foreign currency-denominated deposits. The Asset and Liability Management Committee at our head office determines our benchmark rates for various deposits.

Intermediary Business

We generally determine the pricing of our intermediary business based on prices set by the government and government guidance prices include, among other things, basic Renminbi settlement business specified by CBRC and NDRC. We adjust the pricing of our intermediary business, depending on market conditions, service cost and prices of similar products and services of competitors.

MARKETING

We have established a highly integrated product and service marketing system. Our head office formulates the overall development plans and our bank-wide marketing initiatives for all branches and sub-branches. Branches and sub-branches will formulate marketing objectives based upon the bank's policies and carry out marketing activities in their respective regions. To offer high-quality customer service, our marketing activities adopt customization and cross-sale. Through integrated system structure, we effectively coordinate marketing resources of different business lines and departments.

Our experienced marketing personnel at our head office provide key customers with customized services. For example, our Corporate Banking Department at our head office directly takes charge of the marketing related to our large enterprise customers, financial customers and government agency customers, and develops marketing for key projects initiated by branches. The business personnel at our head office communicates with municipal finance bureaus for cooperation between the bank and the government, assists our branches in promoting business related to local finance bureaus, and negotiates with local large enterprises to design comprehensive financial service plan, and promotes marketing of key projects of branches.

We launch quarterly marketing activities for corporate banking services. To incentivize our employees, we create non-credit customer exploration awards and quarterly daily average deposit growth awards. We also hold special marketing activities for specific industries or customers and set up non-credit customer awards and special marketing balance awards for corporate customers. Through the "Henan Financing Interface Information System Platform", we guide business departments and customer managers to identify marketing priority and improve effectiveness of marketing. The platform regularly shares information about key construction projects in Henan Province, including project financing contact persons and methods. On such platforms, we would be able to issue an offer for the project, which greatly improves the efficiency of project interfacing, and we may assist entities directly under provincial government in finding intermediaries. Such advantage can incentivize customers to open accounts with us. Leveraging on the large scale of retail banking customers, we also deal with cross-selling for corporate banking business.

To promote the development of our small and micro enterprise banking business and expand our small and micro enterprise customer base, we have established the small business credit department at our head office in 2006. In April 2009, we set up small business finance division which is mainly responsible for developing financial products, approving small business loan applications submitted by the branches and sub-branches, and coordinating the small business banking business. We continue to focus on the development of small and micro enterprise banking business and in the end of 2014, we established the small business financial service center. As of June 30, 2015, we had a total of 12,513 small and micro customers and personal business loan customers each maintaining a loan balance under RMB1 million, and we had achieved increased our number of small and micro enterprise customers.

We are dedicated to providing financial services tailored to each key aspect of commerce and logistics by developing a product and service portfolio and by building ourselves as a unique "commerce and logistics bank". Currently, we have developed the e-commerce platform "Ding Rong Yi", combining banking services with e-commerce services to provide customers with services such as interbank cash concentration, wealth management product purchase, utilities payment and e-commerce payment settlement. We aim to create an Internet financial environment by offering financial payment, trade finance and wealth management and to cooperate with local core enterprises customers. Leveraging our community financial service, our Internet financial environment gives priority to downstream distributor order match. Many sellers in the industries such as textiles, agricultural products, electrics home appliances, office supplies, furniture, building and decoration materials and decoration have participated in our e-commerce platform "Ding Rong Yi" and most of them have completed transactions online, thus increasing our influence over time. Our "Bao Fu Tong (保付通)" is a product to support payment collection by logistics companies through the Internet to accommodate the large volume of freight orders of logistics companies. It enhances creditability of logistics companies and ensures payment security of consignors.

We have adopted a customer-centric retail banking services model, and have divided retail banking customers into ordinary customers, premium customers, gold customers, platinum customers, diamond customers and private banking customers according to retail customers' monthly and daily balance and financial assets with us. For specific classification of customers and service of retail banking, please see "— Retail Banking Business — Retail Banking Customer Base". We provide standard services to ordinary retail customers through traditional distribution channels, such as branch network and self-service terminal. In recent years, with the rapid development of our wealth management services, numbers of our high-net-worth customers have increased significantly. To help our branch to retain high-net-worth customers, since 2014, we have offered rewards to individual high-net-worth customers who had large contributions in the previous year to enhance their customer loyalty. In addition, staffs at our branches and sub-branches can monitor changes of individual customers through our customer relationship management system, so they can promptly respond to the changes and take initiatives to seize marketing opportunities.

We are committed to enhancing brand awareness through our major retail banking products and services such as traditional banking services, wealth management services and bank card services. In addition, we launched a number of targeted promotional activities, including promotion for bank cards and major personal loan products, as well as the preparation of various types of brand building activities. We also use online platform and electronic banking services to further expand our brand awareness. We have developed direct banking services and WeChat applications to access a broader customer base

DISTRIBUTION NETWORK

We provide banking products and services through various distribution channels, including branch networks and electronic banking channels. As of June 30, 2015, our branch network consisted of one head office, six branches, 101 sub-branches, 168 self-service banks and 913 self-service facilities, in addition to three county banks. We have also established online banking, telephone banking and mobile banking services platform. Our branch outlets and electronic banking channels have provided quality services to our customers in an efficient way.

Branches and Sub-branches

As of June 30, 2015, we operated through our head office in Zhengzhou, six branches and 101 sub-branches (including five community sub-branches and seven small and micro enterprise sub-branches) located in Zhengzhou, Nanyang, Xinxiang, Luoyang, Anyang, Shangqiu and Xuchang in Henan Province. We also established some special sub-branches such as community sub-branches, small and micro enterprise sub-branches and airport zone sub-branch, so as to better serve customers in certain fields or industries. The table below sets forth numbers of our outlets in Henan Province as of the dates indicated.

	As of December 31						As of June 30	
	2012		2013		2014		2015	
City	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Zhengzhou	70	95.9%	74	94.9%	87	92.6%	97	89.8%
Nanyang	2	2.7	2	2.6	2	2.1	5	4.6
Xinxiang	1	1.4	1	1.3	1	1.1	2	1.9
Luoyang	—	—	1	1.3	1	1.1	1	0.9
Anyang	—	—	—	—	1	1.1	1	0.9
Shangqiu	—	—	—	—	1	1.1	1	0.9
Xuchang	—	—	—	—	1	1.1	1	0.9
Total	**73**	**100.0%**	**78**	**100.0%**	**94**	**100.0%**	**108**	**100.0%**

We have established the airport zone sub-branch that commenced operation in 2012. To become a "commerce and logistics bank", we look for customers and projects following the supply chain of large central government-owned enterprises and listed companies and the flow of the government's funds. Such strategy allows us to take initiatives in pricing and control risks. At June 30, 2015, the total balance of deposits and total balance of loans from the airport zone sub-branch were RMB2,572 million and RMB1,414 million, respectively.

We plan to continue to open new branches and sub-branches in other cities and counties in Henan Province, and further expand the distribution network, business territory and customer base.

Electronic Banking

Our customers of electronic banking can log into their own accounts and perform transactions through the Internet or private network. Our electronic banking service is provided through self-service banking, Internet banking, telephone banking, mobile banking and e-commerce financial service platform 24 hours a day and seven days a week. We provide account management, deposit and withdrawal, transfer, investment and wealth management services to corporate banking and retail banking customers through our electronic banking system, which helps to improve the customer experience and satisfaction level. To expand our wealth management business channels, in addition to our counter sales, we have also developed sales channels such as financing night market, online banking wealth management sales channels and "Ding Rong Yi" platform.

Our electronic banking services and products have won many awards. For example, our e-commerce financial services platform "Ding Rong Yi" has won "Best Practice Award of Finance Internet" for its electronic banking innovation in 2013 and "Best Business Model Innovation Award" for its electronic banking innovation in 2014.

For the six months ended June 30, 2015, an aggregate of 8,237,000 transactions in a total amount of RMB131,456 million had been completed through our electronic banking channels, representing 70.0% of our total transaction volume for the same period (excludes our e-commerce financial service platform "Ding Rong Yi"). We will continue to promote the use of electronic banking platform, enlarge our service portfolio and improve service efficiency.

Self-service Banking

To provide customers with convenient banking services and reduce operating costs, we have been increasing investments in our self-service banking facilities in the business premises of our branches and sub-branches, offering services such as balance inquiries, cash deposit and withdrawal, transfer, payment of utilities and other services. As of June 30, 2015, we had a total of 168 self-service banking terminals and 913 self-service banking facilities. We also offer the "smart counter", which can issue bank cards, help customers purchase wealth management products, issue payment on commission, help customers modify password, help customers reporting loss, and help customers give electronic signatures.

Online Banking

Our online banking platform www.zzbank.cn provides comprehensive financial products and services to our corporate and retail banking customers. Our corporate online banking products and services include account management, collection and payment management, wealth management products investment and salary payment. We also provide large enterprise customers with funds transfer services within a group company to meet their needs of centralized management of liquidity. Our retail online banking services include account inquiry and management, transfer and remittance, self-service payment, wealth management products investment and fund purchase. As of June 30, 2015, we had about 254,516 online banking customers, including 14,681 registered corporate banking customers and 239,835 registered retail banking customers. For the six months ended June 30, 2015, our online banking transaction volume was approximately 1,319 thousand transactions with total amount of RMB121.2 billion.

Mobile Banking

We provide mobile banking services to retail banking customers that include account management, transfer and remittance, and payment on commission. Main services from our mobile banking include the fund transfer between friends, payment, mobile phone number fund transfer and purchase of financing products, large amount fund transfer and fund transfer reservation. As of June 30, 2015, our mobile banking services had 137,909 subscribers, including 16,779 users of personal common version and 121,130 users of personal professional version.

Telephone Banking

We offer telephone banking services to corporate and retail banking customers through our nation-wide customer service hotline "4000-967585" (direct line in Henan Province: "967585"). Customers can choose from automatic voice services or staff services. Our services include account inquiries, transfer service, self-service payment, loss report, password service and credit card business. As of June 30, 2015, our telephone banking services had 93,300 subscribers.

E-commerce Financial Services Platform "Ding Rong Yi"

We launched the "Ding Rong Yi" internet financial services platform in June 2014, which focuses on five core functions include electronic accounts, bill payment, investments, financing and online commerce through organic combination of direct banking and e-commerce, providing users with more comprehensive and faster Internet-based financial services.

The introduction of the "Ding Rong Yi" platform helps us in channel innovation as supplement to our physical branch network, and thus to improve efficiency, save costs and provide truly convenient services to our users. In addition to financial services, our "Ding Rong Yi" platform also provides users with convenient payment services, such as payment of water, electricity, heating, natural gas bills and other living expenses. The platform also provides customers with more convenient payment scenarios.

The "Ding Rong Yi" direct bank provides other services such as investments and financing. In terms of fund investments, "Ding Rong Yi" platform fully takes advantages of direct banking to provide our customers with flexible and convenient investment and wealth management services. Customers can order and purchase through the platform for wealth management products, general funds, investment and financing products issued or sold by us. Leveraging our data analysis capabilities, we provide our customers with fast and convenient online financing services. Users can make applications for our financing products and reserve small amount credit loan or deposit pledge loan through the "Ding Rong Yi" platform to satisfy their financing needs.

The "Ding Rong Yi" e-commerce services are catered for local customers. Focusing on core merchants in the wholesale markets in Henan Province, the platform collects and analyzes relevant logistics company data, transaction data and commodity data. With these collections and analyses, the platform can help small and medium-sized enterprises to select merchandises, match orders, make guaranteed payment online and other online financing functions, building online ecosystem of professional markets. As of June 30, 2015, transaction amount of RMB58.6 million had been generated through the "Ding Rong Yi" platform.

In addition, we officially launched "Ding Rong Yi" mobile phone app in June 2015. Users can access to banking business at any time or any place, thus realizing the concept of having a "bank in the pocket".

INFORMATION TECHNOLOGY

We believe the use of information technology is critical to the effective operation of our business and our future growth. Important operational and management areas that depend on information technology include transaction processing, customer service, product management, risk management and financial management. The application of advanced information technology system has greatly improved and will continue to improve the efficiency of our service and management, quality of customer services and our risk and financial management capabilities. We will continue to make substantial investments in our information technology system. In 2012, 2013 and 2014, and for the six months ended June 30, 2015, our capital expenditures on information technology and related equipments was about RMB58 million, RMB76 million, RMB104 million and RMB44 million, respectively.

Information Technology Management and Professional Team

In order to meet the changing needs of corporate governance and our risk management, we have set up the Information Technology Management Committee, which consists of senior managements, main business departments and technology development department. The Committee is in charge of reviewing relevant information technology construction plans, major science and technology projects and information construction measures, and monitoring the implementation of information technology construction.

The information technology department at our head office is responsible for the development and management of our information technology projects, operation, maintenance and upgrading of information technology system and infrastructure, internal control of information technology and information security management. We have a dedicated team for information technology. As of June 30, 2015, our information technology team was composed of 61 information technology experts and professional staff, 15 of them possess master's degree, 45 of them possess bachelor degree and one possess junior college degree.

Information Technology System

Our information technology system is indispensable to our business, especially in areas such as data processing and transaction processing, customer service, risk prevention and management, and financial management. Our information technology department is responsible for the development, maintenance and support of our information technology system. We currently have 84 sets of systems.

With regard to customer service, we have set up a data centralized trading system to streamline system construction and maintenance of self-service banking services, online banking services, telephone banking services and mobile banking services. In terms of product and business development, we have established an information system for areas such as our core business, the second-generation payment system of PBoC, interbank payments, international settlement system, wealth management, electronic commercial bill of exchange and financial IC card. In terms of risk and operations management, we have established a system for credit management, credit rating, risk assessment, financial management, performance assessment, office automation, data platform, and management analysis. This system provides effective technical support to improve internal management standards and effectiveness. In addition, we are able to independently design and develop parts of the information management system.

With regards to information management, we maintain security of our information and system through various technologies including firewall, data encryption and intrusion detection. We have established effective supervision and control mechanisms by measures such as security checks conducted by technology development department, risk monitoring conducted by risk management department and audit supervision conducted by audit department. We have established city application level disaster recovery center in Zhengzhou and bank remote data disaster recovery center in Dongguan to protect our business continuity. In terms of city disaster recovery system construction, we developed platform with “high availability” through technology innovations, which help us deter not only small probability events such as catastrophes, but also partial failure of single information system. While ensuring simplicity of operation with no loss of critical business data and no changes to related information system configurations, it takes only six minutes for a single information system to switch from data generation center to the city disaster recovery center.

Our information technology infrastructure and information system are essential to our effective management and business development. Therefore, we plan to continue investment and construction of information technology infrastructure and applications. In addition, due to the growing demand of corporate governance and risk management, we plan to continue to upgrade and develop system functions of our information technology infrastructure.

COMPETITION

Under the current macroeconomic environment and regulatory regime, the competition in the PRC banking industry is becoming increasingly fierce. In recent years, promulgation and revision of relevant policies in the PRC has led to increased competition of certain banking sectors. Please see “Industry Overview — Competitive Landscape”. Our main competitors are branches of five state-owned commercial banks and national joint-stock commercial banks in Henan Province, as well as local city commercial banks in Henan Province. With the fast developments of the banking industry and the capital market in the PRC, we are also facing competition pressure from other banks and non-bank financial institutions (including securities companies, fund management companies and insurance companies). We compete with our competitors mainly on product offering and prices, service quality, brand awareness and information technology strength.

We believe with interest rate liberalization further implemented by the PRC regulatory authorities, competition in the PRC banking industry will continue to be intensified. The principal competitive factors in the banking industry include capital strength, risk management capabilities, asset quality, pricing capabilities, reach of distribution network and customer base, brand awareness, product and service quality. In order to cope with the increasingly competitive environment, we plan to enhance our capabilities in the aforementioned areas and adopt such measures as expanding our service network, enhancing our traditional business, developing new products and services, and expanding new business. We believe that these measures will help us to enhance our competitiveness and to differentiate us from our competitors in Henan Province as well as other areas in which we intend to penetrate in the future.

EMPLOYEES

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had 2,199, 2,631, 2,941 and 2,989 full-time employees, respectively. All of our employees are based in Henan Province. The following table shows the number of full-time employees by functions/departments as of June 30, 2015.

	As of June 30, 2015	
	Number of employees	**% of total**
Corporate banking[1]	451	15.1%
Retail banking[1]	343	11.5
Small and micro enterprise business	228	7.6
Treasury business	39	1.3
Finance and accounting	1,051	35.2
Risk management, internal audit and compliance	105	3.5
IT	57	1.9
Business management and support	715	23.9
Total	**2,989**	**100.0%**

(1) Excludes small and micro enterprise business personnel

The following table shows the number of full-time employees by age as of June 30, 2015.

	As of June 30, 2015	
	Number of employees	**% of total**
Below 30	1,602	53.6%
31-40	639	21.3
41-50	682	22.8
Over 50	66	2.2
Total	**2,989**	**100.0%**

The following table shows the number of full-time employees by education level as of June 30, 2015.

	As of June 30, 2015	
	Number of employees	% of total
Master degree and above	206	6.9%
Bachelor degree	2,118	70.9
College degree	562	18.8
Others	103	3.5
Total	**2,989**	**100.0%**

We believe our sustainable growth depends on the outstanding capability and dedication of our employees. We have invested substantial resources to recruit and train our employees. In 2014, we organized 15 training seminars for management team of all levels and 116 employee trainings.

We offer competitive compensation to our employees through a comprehensive performance evaluation and incentive mechanism. We provide benefits to our employees in accordance with PRC laws and regulations on pension insurance, health insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund.

During the Track Record Period and as of the Latest Practicable Date, we have not experienced any strikes or other material labor disputes that have affected our operation. The relationship among our management, the labor union and our employees has been well maintained.

As of June 30, 2015, we had 167 contractors from third-party human resources agencies in addition to full-time employees. These contractors are not our employees and generally hold non-key positions. We do not enter into labor contracts with these contractors; instead, they enter into labor contracts with the third-party human resources agencies. We are not legally obligated to pay social insurance premiums for these contractors. Instead, pursuant to the employment agreements between the third-party human resource agencies and us, we make salary payments, social security contributions and other related payments for the contractors to these agencies.

PROPERTIES

Our head office is located in Zhengzhou, Henan Province, the PRC. As of September 30, 2015, we had 99 properties with a GFA of approximately 121,500 square meters. As of September 30, 2015, we had one property under construction, and leased 120 properties with an aggregate GFA of approximately 78,600 square meters in the PRC. Such properties are mainly used as business premises.

Owned Properties

As of September 30, 2015, we owned 99 properties with an aggregate GFA of approximately 121,500 square meters. The details of such properties as of the Latest Practicable Date are as follows.

(i) We had obtained building ownership certificates for 29 properties with an aggregate GFA of approximately 72,000 square meters, representing 59.29% of the aggregate GFA of our owned properties, and we had obtained the land use right certificates for the land area occupied by such properties legally by way of land grant. As advised by King & Wood Mallesons, our PRC legal adviser, we owned such properties and obtained the land use rights to the land area occupied by such properties legally, and have the right to legally occupy, use, transfer, lease, mortgage, or otherwise dispose of the properties.

(ii) We had physically occupied three properties with an aggregate GFA of approximately 4,100 square meters (accounting for 3.38% of the aggregate GFA of our owned properties), and we had obtained the building ownership certificates for such properties and the land use right certificates for the land area occupied by such properties, but the land use rights were obtained by way of allocation. The Zhengzhou Land and Resources Bureau, the competent administrative authority of the aforementioned properties, had issued an explanatory letter in respect of the aforementioned properties, which states that other than the disposal right, we are entitled to occupy, use and benefit from such properties. As advised by King & Wood Mallesons, our PRC legal advisor, pursuant to the requirements under the PRC Property Law and the PRC Real Estate Administrative Law, there are no substantive legal barriers to the occupation and use of such properties, but properties built on the allocated land can only be transferred, leased and mortgaged after the land use right holder has obtained the right to use the land occupied by such properties by way of land grant or lease in accordance with the law.

(iii) We had obtained building ownership certificates for 53 properties with an aggregate GFA of approximately 13,100 square meters, representing 10.82% of the aggregate GFA of our owned properties, but we had not obtained the land use right certificates of the land occupied by such properties. The reason for our failure to obtain the land use right certificates of the land occupied by the aforementioned properties was that the property developer was unable to subdivide the land use right certificate of the land occupied by the aforementioned properties. According to the explanatory letter issued by the land and resources bureau of the administrative regions where such properties are located, the failure to obtain land use right certificates for the land occupied by the aforementioned properties was due to objective reasons other than our fault. As advised by King & Wood Mallesons, our PRC legal advisor, although we have not obtained the land use right certificates of the aforementioned land, we are still entitled to the relevant rights to the land conferred under the relevant regulations, including the PRC Property Law.

(iv) We had obtained building ownership certificates for two properties with an aggregate GFA of approximately 700 square meters, representing 0.54% of the aggregate GFA of our owned properties, but we have not obtained the land use right certificates of the land occupied by such properties. The reason for our failure to obtain land use right certificates of the land occupied by such properties was due to historical reasons such as the shortage of materials and the subdivision of the land use right certificate of the land occupied by the relevant properties had already been completed.

Regarding the properties mentioned above in (iii) and (iv), King & Wood Mallesons, our PRC legal advisor, has advised that since we have obtained building ownership certificates, pursuant to the requirements under the PRC Property Law and the PRC Real Estate Administrative Law, there are no substantive legal barriers to our occupation and use of such properties. However, due to problems such as the refusal of the local land and resources bureau to issue individual land use right certificates and objective factors such as the properties failed to meet the conditions for subdivision of land use rights, we are currently still unable to obtain these land use right certificates. Therefore, before we obtain the relevant land use right certificates, we cannot freely transfer, mortgage or otherwise dispose of such properties. If the lands occupied by such properties are sold by auction or disposed of due to circumstances caused by the land use right holder, our properties on the land should also be sold by auction or disposed of altogether. Under such circumstances, we may lose the ownership of such properties, but will be entitled to receive the proceeds realized from the auction or disposal of the properties. Since the properties are located in different regions, it is unlikely that all or substantially all of the land use rights and properties are auctioned or disposed of at the same time.

(v) We have newly purchased and physically occupied eight properties with an aggregate GFA of approximately 23,800 square meters, representing 19.58% of the aggregate GFA of our owned properties. We have not yet obtained the building ownership certificates of such properties and the land use right certificates for the land area occupied by such properties, or we have obtained the building ownership certificates and are in the process of obtaining the land use right certificates for the land area occupied by such properties. We have signed purchase agreements with third parties, and these agreements have been filed for registration if registration is required. The Pre-sale properties have been obtained legal and valid pre-sale permits, and we have paid the purchase price pursuant to the provisions of these agreements. As advised by King & Wood Mallesons, our PRC legal advisor, the property purchase agreements we entered into with the third parties did not violate the requirements under PRC laws.

(vi) With respect to four of our properties with an aggregate GFA of approximately 7,800 square meters, representing 6.39% of the aggregate GFA of our owned properties, we have not obtained building ownership certificates for such properties and the land use right certificates of the land area occupied by such properties. We have entered into sale and purchase agreements in respect of such buildings with the property developers. Since the property developers have not obtained legal and valid pre-sale permits, such agreements have not completed the filing procedure for registration. As advised by King & Wood Mallesons, our PRC legal advisor, pursuant to the requirements under the Interpretation of the Supreme People's Court on Certain Issues concerning Applicable Law on the Trials for Disputes over Commercial Housing Sale and Purchase Agreements (Fa Shi [2003] No.7) (《最高人民法院關於審理商品房買賣合同糾紛案件適用法律若干問題的解釋》(法釋[2003]7號)), if the seller has not obtained pre-sale permit certification and has entered into commercial property pre-sale agreement with the purchaser, such agreement shall be invalid, but if a commercial housing pre-sale permit is obtained prior to lodging a legal action, it may be declared as valid. The legal risk is that the above property sale and purchase agreement might be declared as invalid, and our ability to obtain building ownership under such property sale and purchase agreement may be affected. Since the above properties have been used and applied in our business operations, if such property sale and purchase agreements are declared invalid, our continuous usage of such properties will be affected.

Our Directors believe that the properties with defective titles, individually or collectively, would not have any material adverse effect on our operation. If any third party puts forward legitimate claims or obtains building ownership certificates and land use right certificates of the properties in question through litigation, and resulting in our relocation necessary, we would immediately relocate to other premises with complete building ownership certificates or legitimate leases. We are in the process of obtaining the relevant land use right certificates and building ownership certificates. Our Directors have confirmed that we are able to secure alternative operation premises in the relevant regions, and due to the low cost of relocation, our Directors are of the view that the relocation will not have any material and adverse impact on our operation and financial conditions. Please see "Risk Factors — Risks Relating to Our Business — Issues related to land use right and building ownership may adversely affect our ability to occupy and use certain properties we own and/or lease from third parties".

Leased Properties

As of September 30, 2015, we leased 120 properties with an aggregate GFA of approximately 78,600 square meters, mainly used as business premises. The details of such properties as of the Latest Practicable Date are as below.

(i) For the 87 properties leased by us with an aggregate GFA of approximately 61,900 square meters, the lessors have building ownership certificates for such properties or have obtained letters of consent from the title owners of such properties agreeing to sub-leasing by the lessee or authorizing the leasing of such properties. As advised by King & Wood Mallesons, our PRC legal advisor, such property leasing agreements are legal and valid.

(ii) For the 33 properties leased by us with an aggregate GFA of approximately 16,700 square meters, although the lessors have not provided building ownership certificates for such properties nor certification documents evidencing consent has been obtained from the title owners of such properties agreeing to sub-leasing by the lessee or authorizing the leasing of such properties, letters of undertaking from the lessons of 31 properties with an aggregate GFA of approximately 15,300 square meters have been provided confirming that the lessors has legal right of leasing and an undertaking has been given to indemnify us against all losses incurred arising from defective title of the leased property.

For aforementioned leased properties, we have completed the registration of the lease agreement for 12 properties with the relevant PRC authorities. In addition, other lessors for 25 lease agreements have provided letters of undertaking to confirm that the contracts are unregistered due to objective reasons other than our fault and they have undertaken to indemnify us from and against any losses arising out of it, including the right to use the leased properties being affected, any administrative penalties imposed and any other adverse consequences.

Our PRC legal adviser, King & Wood Mallesons, is of the view that, (1) the lessors will not have the right to lease the properties if they do not have the ownership rights to the properties and/or the authorization or consent from the title owners. In these circumstances, if any third party raises objection to the right to own or lease such properties, it may affect our ability to continue leasing such properties, but we may still raise claims against the lessors based on the letters of undertaking provided by the lessors. In addition, we can be deemed as the legitimate tenant of such properties based on relevant judicial interpretations when the lessors have entered into two or more lease agreements on a single leasehold; and (2) according to the relevant requirements under PRC laws, the non-registration and non-filing of lease agreements will not affect the validity of such lease agreements, but both parties may be ordered by the housing administrative authorities to register and file the lease agreements within a time limit and are subject to a fine of more than RMB1,000 but less than RMB10,000 if they fail to complete within the time limit.

In the past three years, we have not been subject to penalties by the relevant housing administrative authorities for non-registration of lease agreements. Our Directors believe that if the defective title of such properties or the non-registration of the lease agreements prevent us from continuing the lease of any properties so the relevant branches need to relocate, the branches can relocate to other comparable and duly leased alternative premises in the relevant regions at a low relocation cost, which, individually or collectively, will not have any material adverse effect on our business and financial condition. In addition, our Directors also consider that, if the title owners obtain the relevant building ownership certificates, the rental cost of the above leased properties with defective title will not have any significant changes.

Properties under Construction

As of the Latest Practicable Date, we have one property under construction, which is the project of an integrated office building. As of the Latest Practicable Date, the Bank has signed the State-owned Construction Land Use Right Transfer Contract with Zhengzhou City Land Resources Bureau and has paid the land transfer fee in accordance with the contract. We have obtained relevant approvals from the Zhengzhou City SASAC to invest in integrated office building construction. We have obtained the approval from and were registered with the Financial Planning Bureau of Zhengdong New District Management Committee, as evidenced by the Registration Confirmation Regarding the Enterprise Investment Projects in Henan Province issued by such authority agreeing to the registration of such project. We also obtained Construction Land Planning License issued by Land Planning Bureau of Zhengdong New District Management Committee and State-owned Land Use Right Certificate issued by Zhengzhou City Land Resources Bureau. As of the Latest Practicable Date, due to the reason of land planning adjustment not attributable to us, we haven’t commenced construction according to the development progress stipulated in the land grant contract in accordance with the relevant regulations related to land development and use under PRC law, the foregoing has been confirmed by Zhengdong New District Planning Branch of Urban and Rural Planning Bureau of Zhengzhou City, Zhengdong New District Management Committee and Zhengdong New District Branch of Zhengzhou Land and Resources Bureau in writing. We are required to, and are actively dealing with the signing procedures of the supplemental contract to the land transfer contract in order to adjust the commencement schedule.

Acquisition of New Properties

As of September 30, 2015, we had 18 newly acquired properties with a contracted aggregate GFA of approximately 26,900 square meters, which are expected to be used as business premises. As of the Latest Practicable Date, we have entered into purchase agreements with third parties. As advised by King & Wood Mallesons, our PRC legal advisor, our signing of the aforementioned purchase agreements by us was not in violation of the provisions under PRC law.

Property Valuation

At June 30, 2015, the maximum book value of our property interests, including premises and construction in progress, was approximately RMB983 million, accounting for 0.44% of our total assets. Therefore, we are exempted from including a property valuation report under the Listing Rules and the relevant provisions on property valuation report in Companies (Winding Up and Miscellaneous Provisions) Ordinance. Under Article 5.01A of the Listing Rules, if the book value of the property business and non-property business of the listing applicant are respectively less than 1% and 15% of its total assets, the prospectus will be exempted from compliance with such requirements. In respect of the requirement under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Section 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, similar exemptions 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).

INTELLECTUAL PROPERTIES

We conduct business under the names and logos of "Zhengzhou Bank", "郑州银行 BANK OF ZHENGZHOU" and some other brand names and logos. As of September 30 ,2015, we have registered 97 trademarks and five design patents in the PRC. As of September 30, 2015, we are also the registered owner of four domain names and two websites, including www.zzbank.cn. The above site is the site our customers frequently use to obtain information on us and conduct business with us. Please see details of our major intellectual property rights in Appendix VII — "Statutory and General Information — 2. Further Information about Our Business — B. Intellectual Property Rights" to this prospectus.

As of the Latest Practicable Date, we were not aware of any material incidences of intellectual property rights infringement or litigations initiated by others or us.

LEGAL AND REGULATIONS

Licensing Requirements

We had obtained the business qualifications required for our existing business as of the Latest Practicable Date.

Legal Proceedings

We are involved in legal disputes in the ordinary course of our business, which mainly include legal proceedings brought against the borrower for the recovery of loans. As of the Latest Practicable Date, a total of 12 cases of litigation were pending in which our head offices and all our branches and sub-branches were the plaintiffs with each principal amount in dispute at RMB10 million or above, and the total amount involved was approximately RMB370 million. There were six arbitration cases in which our head offices or our branches or sub-branches were applicants with each amount in dispute at RMB10 million or above, the total amount involved was approximately RMB230 million. The above cases were all disputes in borrowings or recovery of loans arising from our banking business operations. As of the Latest Practicable Date, one case was still pending in which our head offices and all our branches and sub-branches were defendants with each principal amount in dispute at RMB10 million or above, the cause of action of which was litigation on the recognition of debt transfer agreements, and the amount involved was approximately RMB20 million. There was no arbitration case pending for conclusion in which our head offices or our branches or sub-branches were respondents with each sum of money in dispute at RMB10 million or above. We expect that even if the verdicts of the aforesaid lodged or pending litigations and arbitration are unfavorable to us, they would not (either individually or collectively) materially and adversely affect our business, financial position and operating performance.

As of the Latest Practicable Date, none of our Directors, Supervisors and senior management was involved in any material litigation, arbitration, or administrative proceedings.

Regulatory Inspection and Procedures

Administrative penalties

Like other city commercial banks, we are subject to inspection and review from the relevant PRC regulatory authorities and their local branches, such as CBRC, PBoC, NDRC, SAFE and SAT, and may be subject to administrative penalties based on the results from such review. During the Track Record Period and as of the Latest Practicable Date, we were not subject to any material fines or penalties due to failure in compliance with the relevant requirements of the regulatory authorities of the PRC other than the following.

- Our head office and all our branches and sub-branches were subject to one case of taxation penalty imposed by the taxation authorities involving a total amount of fines of approximately RMB2,000. The penalty was imposed in respect of our presentation of non-compliant invoices as expenses under the accounting item “business management fees” during the period from 2009 to 2011.

We have made full payment of the additional tax amounts, overdue penalty and the fine imposed. In order to prevent reoccurrence of similar non-compliances, we have taken remediation measures, including but not limited to, engaging an external expert to conduct bank-wide taxation training for us to strengthen compliance in our use of invoices. Through the above measures, we believe that we have adopted appropriate and adequate actions to solve the existing issues. As of the Latest Practicable Date, we were not subject to any further penalties or sanctions imposed by taxation authority.

- Our head office and all our branches and sub-branches were subject to one case of administrative penalty imposed by NDRC Henan Office. For the period from January 1, 2012 to September 30, 2013, it was discovered that we entered into relevant agreements with customers in the process of granting residential mortgage loans without making payments for the mortgage registration fees to the housing administrative authority, instead, we transferred the burden to the borrowers. There were a total of 7,137 such loans involved in the non-payment of such fees and the total amount involved was RMB814,400. Since such action was in breach of the Price Law of the PRC, NDRC Henan Office imposed a fine of RMB814,400 on us.

  We have made to full payment of the fine imposed. In addition, we have tightened our management of registration fees for mortgaged properties. Effective June 1, 2014, all legal documents for new loans secured by mortgages shall stipulate that registration fees for the mortgaged properties shall be borne by us, instead of our corporate or retail customers. With the above measures, we believe that we have adopted appropriate and adequate actions to solve the issues. As of the Latest Practicable Date, we were not subject to any further penalties or sanctions imposed by NDRC Henan Office.

King & Wood Mallesons, our PRC legal advisor, is of the view that, the proportion of above administrative fines is a minimal part of our latest audited net assets and was fully settled without any material adverse effect on our business. Our Directors believe that the above administrative penalties imposed by the PRC regulatory authorities do not, individually or in the aggregate, have any material adverse impact on our business operations or financial condition.

Findings of Regulatory Examinations

Regulatory authorities including CBRC, PBoC and SAFE conduct routine or *ad hoc* inspections on our compliance with the relevant PRC laws and regulations, guidelines and regulatory requirements. During the Track Record Period and as of the Latest Practicable Date, regulatory authorities including CBRC, PBoC, CSRC and the Audit Office of Henan Province conducted inspections on our risk management, internal control, corporate governance, anti-money laundering and operations of various business lines at our head office, branches and sub-branches. Although the above-mentioned inspections have not identified any material risk or incidents of non-compliance, findings of the inspections have revealed certain deficiencies in our business operations, risk management, internal control and other areas. We have promptly adopted remediation measures in accordance with the findings and recommendations from the relevant regulatory authorities and improved our risk management and internal control systems. As of the date of the prospectus, the PRC regulatory authorities has no further comments on the remediation measures set forth in the remediation report and implemented by us, and has not required us to implement any further remediation actions.

The results of the principal examinations or inspections are summarized below.

CBRC

CBRC conducted regular or ad hoc inspections on our compliance with the relevant laws, regulations, guidance and regulatory requirements. During the Track Record Period and as of the Latest Practicable Date, the inspections conducted by CBRC Henan Office on us included on our risk management, internal control, corporate governance and our various business areas, covering the sales departments of the head office, branches and sub-branches. Although no material risk or non-compliance incident was discovered during the above inspections, some of the findings of the inspections showed that some deficiencies existed in our business operation, risk management and internal control. We had adopted remediation measures immediately in accordance with the findings of the relevant regulatory authority and improved the risk management and internal control systems. We set forth below a summary of major regulatory inspections.

Major Problems and Key Guidance Opinions	**Our Major Remediation Measures**
to strengthen risk management on the cooperation with guarantee companies, and to review the admission qualification of guarantee companies carefully and stringently	• developing a credit rating system for corporate customers • conducting credit review at earlier times; conducting pre-loan due diligence on each customer
to strengthen wealth management administration	
• to enhance the ability to prevent and control risks relating to the wealth management investments	• performing comprehensive examination on wealth management products on a quarterly basis; establishing an operational risk limit determination mechanism for wealth management products and improving the market risk indicators continuously
• inadequate information disclosure of wealth management products	• allocating designated personnel for information disclosure
to improve the governance framework and increase the effectiveness of governance	amending our Articles of Associations and internal policies and procedures; ensuring the consistency of relevant terms of various provisions and the satisfaction of the requirements of the regulatory policies

inadequate number of internal auditors; to strengthen internal control management	increasing the number of internal auditors and conducting special audits on business regularly; developing an internal audit management system
to further improve the management of pricing mechanism on services	publishing fee rates on our new official website to facilitate customers' understanding
several loans were not reviewed with appropriate caution	strengthening credit management; prudently conducting businesses; enhancing pre-loan investigation and introducing third parties to review our risk management framework
to import management of interbank business	
• to improve the governance structure for the interbank business	• strictly enforcing centralized management of interbank business; amending our relevant internal policies and procedures in accordance with the new interbank rules;
• interbank investments were concentrated	• making reasonable allocation of funds, regularly evaluating counter-parties strictly conducting due diligence and conducting post-investment monitoring on a quarterly basis
the credit approval process for our off-balance sheet business was not sufficiently strict	strengthening every step of the credit approval process for our off-balance sheet business
to increase the awareness on risk prevention and develop trust investment business in a regulated manner	incorporating non-standard credit assets business into centralized management of credit lines; establishing an investment review and approval committee to strengthen the monitoring and post-investment management of the related investment business

In addition, CBRC Henan Office conducted on-site and off-site inspections on our operations on a quarterly basis and issued inspection reports based on the inspection results, which mainly set out (1) the major developments and achievements in our operations during the period; and (2) issues requiring attention and major recommendations. In the inspection reports for the three financial years from 2012 to 2014, CBRC Henan Office recognized the development and achievement in our operations, confirming that we had met the requirements of the key regulatory indicators and risks requiring attention were largely in control. The inspection reports for these three years indicated the issues requiring our attention and the relevant recommendations. We adopted corresponding remediation measures with details as follows.

Major Problems and Key Guidance Opinions	Our Major Remediation measures
Credit Risk Management Strengthen control on credit asset quality	
• to strengthen management and control on non-performing loans • relatively high percentage of mortgage loans • relatively fast growth in credit extensions to borrowers in locations where we have no outlets • problems of insufficient pre-loan data collection and absence of post-disbursement documents to establish appropriate use of credit funds • relatively fast growth in the liabilities to financial institutions	• enhancing credit extension controls • strictly controlling non-performing loans from rising • closely monitoring risk from mortgage loan • developing business outside of the locations where we have no outlets in a prudent manner • reinforcing early alerts on risks in the credit business, strengthening post-disbursement management and accountability • emphasizing attention on the risks relating to small and micro enterprises and the measures in response
Off-balance sheet business grew rapidly, risks continued accumulating	Reinforcing authorization management in the business of bill acceptance
• the growth in bill acceptance business was particularly fast, the ratio of deposits to bill acceptance business was relatively high with accumulation of relevant risks • assets expanded too rapidly, increased funds were channelled to investment business and off-balance sheet business rapidly	• better management of business development, compliance in operations and risk prevention • reinforcing review on the truthfulness of the underlying transactions • conducting bill acceptance business strictly in compliance with regulatory requirements, and strengthening the continued monitoring and management after issuance of bills • strictly preventing risks relating to entrusted loan business

Control the availability of non-credit financing	• strictly controlling the availability of financing to restricted areas such as real estate and government financing vehicles
Management of the wealth management business requires further reinforcement	Further enhancing the risk prevention and control capabilities of the wealth management business • further improving the management system for the wealth management business • stepping up risk assessments in the wealth management business
Investment business management capabilities require reinforcement, potential risks relating to investment business require substantial attention	Strengthening the management of investment business and preventing potential risks arising from the investment business • adjusting the use of investment funds for trust assets, strictly controlling the investment maturities • initially solving the issues of concentration of large customers, fast growth and industry concentration
Liquidity Risk Management	
Certain liquidity regulatory indicators (i.e. core liabilities ratio) were not met	Improving liquidity indictors, preventing liquidity risk and improving performance incentives mechanism, strengthening the projection and the monitoring of various key indicators
To reinforce the establishment of a liquidity risk management system	Optimizing asset and liability portfolios, establishing tiered liquidity reserves, facilitating the online operation of the asset and liability management system
To improve the execution of liquidity risk management	Strengthening proactive management, preventing liquidity risk, and adopting proactive liquidity management policy
Market Risk Management	
To enhance market risk management	Optimizing asset and liability maturity mix, reducing the interest rate risk sensitivity

Operational Risk Management	
Inadequate internal control system and processes, relatively high pressure in the prevention and control of operational risks; requiring comprehensive improvement to strengthen the establishment of a safety, fraud prevention and governance system	Improving the compliance framework, removing potential risk incidents
Non-compliance by employees in operational processes	Strengthening control over senior management at sub-branches
Internal Control	
Management of transactions involving Shareholders or related parties requires further strengthening	Accelerating the consolidation of equity interests and introduction of strategic investors
Inadequate internal control system and processes	Strengthening the reduction and management of loans to Shareholders
Compensation and incentive system not effective	Controlling credits granted to Shareholders, focusing on the risk of related party transactions
Deficiencies in operational models, business and operation processes and implementation of policies and procedures	Improving internal control system
Corporate Governance	
Fragmented shareholding structure; pledge ratio was high; further strengthening in management required	• controlling credit granted to Shareholders, focusing on the risk of related party transactions • when our shares pledged by Shareholders reaches certain amount or exceed 50% of our share capital, restrictions should be imposed on such Shareholders' voting rights in Shareholders' general meetings and on the voting rights of Director(s) nominated by such Shareholders • revising the management measures for pledge of our Shares: Shareholders with loans and credit facilities in excess of net equity are recommended to exit and seek potential transferee of our Shares
Improvements required in our corporate governance	Further enhancing the performance by Directors and Supervisors of their respective duties and improving the performance appraisal system for Directors

On August 27, 2015, CBRC Henan Office issued an inspection report to us with respect to the first half of 2015. The inspection report indicated the following: (i) increases in balance of NPL and NPL ratio; (ii) a recommendation that we further enhance our ability to serve small and micro enterprises; and (iii) a recommendation that we strengthen monitoring of major regulatory indicators, including capital adequacy ratio, and our core liabilities ratio and allowance adequacy ratio for loan losses had failed to reach the regulatory standard. We have done a thorough review of the above recommendations and taken remediation measures. With respect to our failure to meet the regulatory standard on allowance adequacy ratio for loan losses, which was a result of our inadvertent clerical error in computation, we have since corrected the error and recalculated our allowance adequacy ratio at June 30, 2015. The corrected ratio complies with the regulatory requirement. On September 21, 2015, we submitted to the CBRC Henan Office a remediation report describing our remediation measures in response to the above inspection report. Our major remediation measures include: (i) enhancing pre-loan investigation and post-disbursement management and implementing more stringent client onboarding criteria for new customers in the industries with overcapacity; (ii) allocating more resources to marketing to small and micro enterprises and addressing their financing needs; (iii) improving our capital structure and major regulatory indicators by strengthening asset-liability risk management and monitoring market changes. As of the Latest Practicable Date, we did not receive any objections raised by the CBRC Henan Office regarding our remediation report or remediation measures, or any further requests for additional remediation measures.

People's Bank of China (PBoC)

Relevant local branches of PBoC conduct routine and *ad hoc* inspections on us including on-site inspections of our head office, branches and sub-branches. Based on such inspections, the relevant local branches of PBoC issue inspection reports that set out the inspection results and recommendations.

During the Track Record Period and as of the Latest Practicable Date, the relevant local branches of PBoC have conducted several inspections on us. The major issues and recommendations raised by the relevant local branches of PBoC and our major remediation measures are summarized below.

Major Issues	**Our Major Remediation Measures**
For submission of statistics about balance sheet information from financial institutions, we had individual cases of system errors and late submissions.	Strengthening internal management of statistic personnel, introducing electronic data submission to ensure data quality, and maintaining communications with regulatory authorities
For protection of personal financial data of customers, we had inadequate organizational set-up. We also lack operational procedures for gathering information, an explicit system to guard confidential information, and an emergency response plan and drills for handling emergencies.	Clearly defining duties of responsible departments; developing, supplementing and improving supplemental agreements for all information collections; designating channels for raising complaints for personal financial data; strengthening staff training, and strengthening supervision

Major Issues	Our Major Remediation Measures
For financial market business, we have inadequate procedures. We have frequent trades with the same counterparty, and incidences of same day "borrowing-lending" and "lending-borrowing"	Ensuring accurate and complete records for operation procedures, penalizing responsible personnel, conducting business in compliance with laws and regulations, conducting rigorous review and approval, further enhancing fund position management capabilities, and strictly controlling trading for business volume purpose
For interbank market business, we had incidents of statistic data entry errors and delayed entries	Further strengthening reconciliation, rigorously implementing the dual personnel checking requirement, conducting reconciliation between the records of bond business and general ledger, and further reducing errors due to manual operations through concurrent operation of the Comstar system and manual preparation of the statements
For credit management, we had of dificiencies in credit inquiries management system and non-standardized procedures	Improving and enhancing the management system and the related procedures
For national treasury collection and our centralized payment business, we used certain accounting items not in compliance with regulatory requirements	Using accounting items required by PBoC treasury payment office to hand up to national treasury
For management of RMB receipt and payment, anti-counterfeit banknotes and full settlement operation, we have implemented the regulatory requirements and established robust policies and procedures. However, we need to strengthen our management and continue to improve our work	Continuing to strengthen management, improve internal control system, standardize operational procedures and enhance training for front desk personnel

As of the Latest Practicable Date, the relevant local branches of PBoC had not issued any further opinions on our implementation of their recommendations, and we had not received any notice requesting us to adopt further measures nor had we received any penalties. Based on the aforesaid inspection results of the relevant local branches of PBoC, we believe that we do not have significant deficiencies in our business operations, internal auditor risk management, and the aforesaid inspection results do not have significant impact on our business, financial condition or results of operations.

Audit Office of Henan Province

The Audit Office of Henan Province audits and supervises our assets, liabilities and profit or loss from time to time in accordance with laws. From October to November 2013, the Audit Office of Henan Province audited our assets, liabilities and profit or loss with respect to the financial year of 2012, and issued a 2012 audit report based on the audit results. The major issues raised in such audit report and our major remediation measures are set out below.

Major Issues	Our Major Remediation Measures
Non-compliance by turning loans into deposits by the borrowing enterprises	Recovering a substantial part of the relevant loans and requesting repayment of the remainder; imposing penalties on responsible persons
Non-compliance in the operation and management of credit business (including RMB 1 billion loans to six enterprises with untrue financial statements, and inadequate procedures and non-compliance in issuance of acceptance bills)	Settling a majority of the relevant loans, rectifying relevant non-compliance and imposing responsible persons; further improving performance evaluation system and measures, improving management of credit business, and enhancing comprehensive risk management
Non-compliance in management of current account items outstanding for longer period of time than permitted	Focused efforts to clean up the outstanding balances in the current account
Under-paid taxes and surcharges, including: • under-paid business taxes and surcharges of RMB7,277,042.98; • under-paid enterprise income tax of RMB5,842,161.57; and • under-paid individual income taxes of RMB797,976.68	Explanations on the reasons for under-payment and make up the payment on a timely basis
Use of instruments failuring to meet regulatory requirements; improvements required in financial audit and financial management.	Making up the under-paid enterprise income tax resulting from non-compliant invoices, recovering a majority of relevant loans and demanding repayment of the remaining loans in accordance with the payment schedules, imposing penalties on responsible persons

We have submitted the report in respect of our remediation of the issues raised in this audit report to the Audit Office of Henan Province. The above audit results have no material and adverse impact on our business, financial condition or results of operations. Except as disclosed above, as of the Latest Practicable Date, we had not received any dissenting opinions on our remediation report or remediation measures or any request for implementation of further remediation measures from the Audit Office of Henan Province.

CSRC

CSRC Henan Office conducted on-site inspection on our fund distribution business in November 2014, and has issued examination report, setting out the examination results and recommendations. The report indicated that improvements should be made in our management of fund distribution personnel, internal control and investor education. We focused on these issues and submitted a remediation report. Our major remediation measures include strengthening the qualification control over fund distribution personnel and reasonable allocation of personnel, improving our fund distribution system and enhancing investor education. The above examination results issued by CSRC Henan Office did not have any material and adverse impact on our business, financial condition or results of operations. Except as disclosed above, as of the Latest Practicable Date, we had not received any dissenting opinions on our remediation report or remediation measures or any request for implementation of further remediation measures from CSRC Henan Office.

SAFE

On August 11, 2015, SAFE Henan Office conducted an on-site inspection on our indirect declaration and verification of international payment business and foreign exchange settlement and sale business for the period from July 1, 2014 to June 30, 2015, and issued an inspection report. The inspection report indicated that we processed one payment with non-compliant note and we are required to standardize our indirect declaration and verification of international payment business. We have adopted remediation measures immediately and, on August 24, 2015, we submitted a remediation report to SAFE Henan Office in response to the above inspection opinions. As of the Latest Practicable Date, we did not receive any objections to our corrective measures or any further requirements from SAFE Henan Office.

In addition, we have adopted the following remediation measures to address the issues raised by the relevant PRC regulatory authorities: (i) for issues with clear resolutions, we have promptly implemented remediation measures in accordance with the recommendations from the relevant PRC regulatory authorities and our internal policies; (ii) for issues caused by defects in our policies and procedures, we have revised our internal policies and procedures as well as standardized operation procedures; (iii) for issues caused by failed implementation of our policies and procedures, we have held the relevant personnel accountable, issued internal warnings and taken other disciplinary measures; (iv) for those branches not inspected by the relevant PRC regulatory authorities, we have applied the recommendations raised by the PRC regulatory authorities upon their inspections on other branches to eliminate similar operational risks or potential issues in management; and (v) to prevent further occurrence such issues, we have offered additional trainings to our employees, adopted new measures of risk management and improved our internal control mechanism. Through these measures, we believe that we have taken appropriate and sufficient actions to resolve relevant issues. As of the Latest Practicable Date, we did not receive any objections to our corrective measures or any further requirements from regulatory authorities.

Our Directors believe that the problems discovered in the inspections and examinations conducted by the regulatory authorities of the PRC did not individually or collectively have material effects on our business, financial condition or results of operations.

Compliance with Core Indicators

During the Track Record Period, our core liabilities ratio had failed to reach the regulatory standards as required under the Core Indicators (Provisional). For details, please see "Supervision and Regulation — Other Operational and Risk Management Ratios". Since March 1, 2014, the above ratio ceased to be the regulatory indicators for liquidity of commercial banks. As of the Latest Practicable Date, such non-compliance incidents had not led to any fines against us nor resulted in any material adverse effect on us.

Employees' Non-compliance

The non-compliance incidents of our employees were mainly relating to non-compliance with the internal rules of our credit approval procedures, over-the-counter operation procedures and internal rules relating to account-related issues. None of our Directors or senior management members was involved in these non-compliance incidents. We believe these non-compliance incidents will not, individually or collectively, cause any material adverse effect on our business, financial conditions or results of operations. During the Track Record Period, we had not discovered any material non-compliance incidents of any employees involving criminal offence.

Our Directors are of the view that the findings of regulatory authorities and the non-compliance incidents did not show any material deficiency in our business operations, internal audit, and internal control or risk management.

Anti-money Laundering

During the Track Record Period, no material money laundering incidents had been identified by us or reported to the senior management. Please see "Risk Management — Compliance Risk Management — Anti-money Laundering" for details of our anti-money laundering measures.

OVERVIEW

The primary risks arising from our operations are credit risk, market risk, liquidity risk and operational risk. We are also exposed to other risks, such as information technology risk, reputational risk and legal and compliance risk.

We determine our overall risk management objectives based on our overall strategic goals. Our overall risk management objectives are: (i) to ensure the compliance with all applicable PRC laws and our policies and procedures as well as our Articles of Association; (ii) to ensure that our development strategies and business objectives will be fully implemented and achieved while we manage risks at an appropriate and acceptable level corresponding to our objectives; (iii) to ensure that our business records, financial information and other management information are duly updated, true and complete; (iv) to ensure the effectiveness of our risk management system, including the development of contingence plans for significant risks, to prevent us from suffering significant losses due to risks of disasters or human errors; and (v) to develop good risk management culture to strengthen the awareness of risk management of all staff. We seek to foster a good risk management culture and establish a sound risk management system, covering risk management policies and procedures, organizational structure and information system, providing appropriate processes and methodologies for the overall objectives of risk management.

Our risk management adheres to the principles of comprehensiveness, prudence, effectiveness and independence: (i) comprehensive risk management: risk management shall cover all businesses and processes, all departments and positions to ensure that decision making and operations are properly recorded to minimize control deficiencies; (ii) prudent risk management: for risk prevention and prudent operation, our business operations and management, in particular in opening new branches or sub-branches or launching new businesses, should place priority on internal control; (iii) effective risk management: clear division of responsibilities among different departments and positions with effective checks and balances. Business lines and management and supporting functions should be appropriately segregated; and (iv) independent risk management: the departments responsible for supervision and appraisal of risk management should be independent from our other departments and have direct reporting lines to the Board of Directors, the Board of Supervisors and senior management.

We always focus on risk management and are committed to continuing to improve our risk management capabilities. In recent years, we have taken a series of measures on risk management policies, infrastructure, operation procedures and information technology systems, and have developed corresponding management measures for major risks of specific businesses.

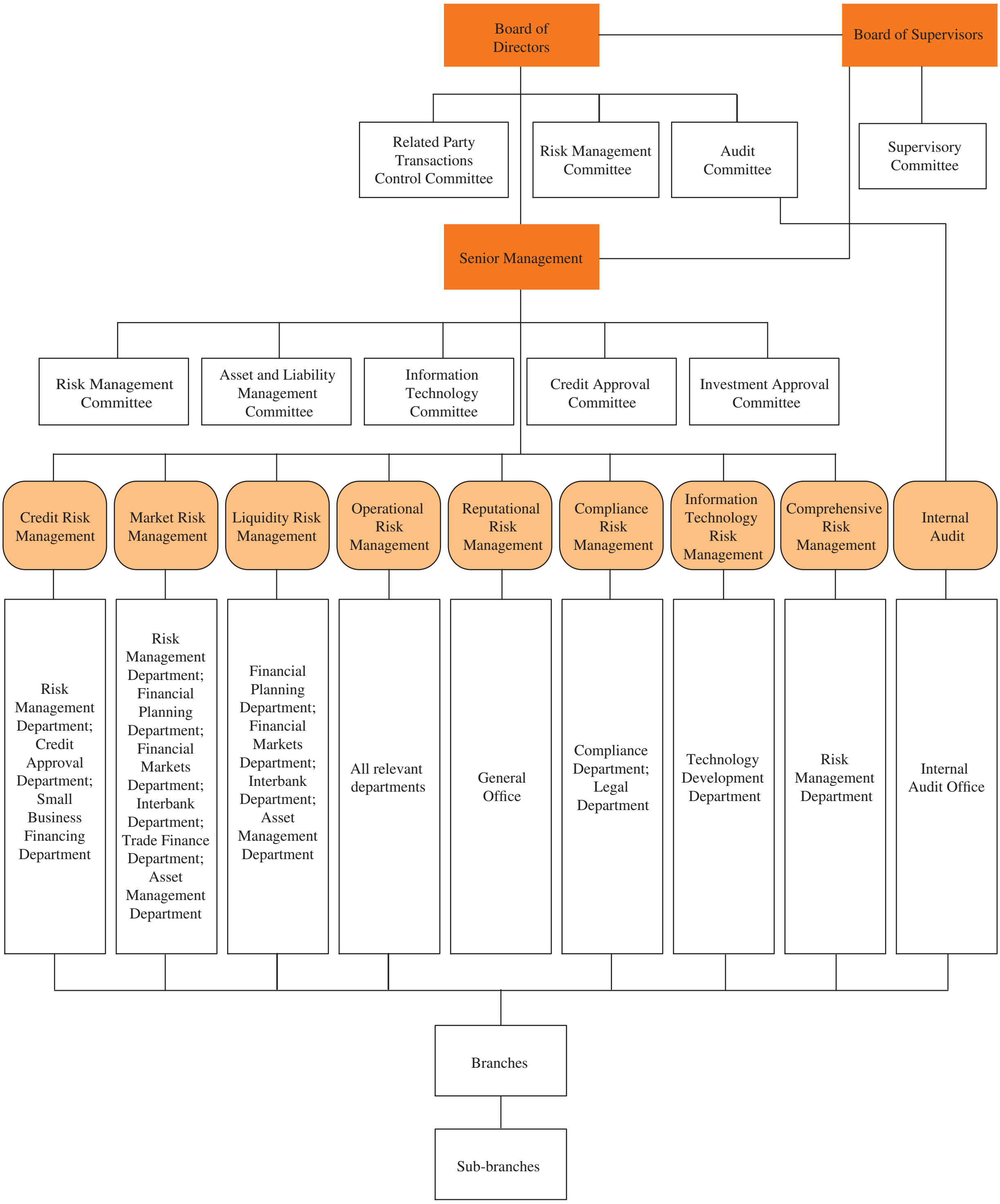
We adhere to the principles of comprehensive risk management under capital constraints. We dynamically adjust our risk preferences for different periods, regions and products to strengthen our risk management capabilities based on changes in macroeconomic conditions, our business development requirements and our management practices.

Our risk management system, addressing all primary types of risks we are exposed to, including credit risk, market risk, operational risk, liquidity risk and information technology risk is overseen by our risk management department, and covers all of our products, businesses and operations. All of our identifiable risks are managed by staff assigned to clearly defined positions, thus making risk management part of the responsibilities for all staff and ensuring consistent implementation of risk management policies in different departments, business lines and products.

We also focus on building up a risk prevention framework and comprehensive risk management infrastructures and strengthening internal control to improve our risk control capabilities and reduce our risk exposure. We also seek to enhance our staff's risk awareness and implement various incentives to strengthen risk management.

FRAMEWORK OF THE RISK MANAGEMENT SYSTEM

As of the date of the prospectus, our organizational structure of risk management is as follows.



Board of Directors and its Committees

Our Board of Directors has the highest authority in risk management and decision-making and bears the ultimate responsibility for comprehensive risk management. It ensures that we can effectively identify, assess, monitor and control the risks that to which our businesses are exposed. It also reviews and approves strategies, policies and procedures of risk management. Furthermore, it determines our overall risk tolerance levels. Under the supervision and monitoring of our Board of Directors, our senior management is responsible for taking appropriate risk management measures to identify, assess, monitor and control various risks. Our Board of Directors receives risk reports from our senior management periodically, and evaluates the senior management's performance at risk management. Our Board of Directors performs the risk management functions through the Risk Management Committee, the Audit Committee and the Related Party Transactions Control Committee.

Risk Management Committee

The Risk Management Committee is primarily responsible for reviewing the principles, objectives and policies of our risk management by controlling, managing, monitoring and assessing our risks and reporting them to our Board of Directors for deliberation and approval. It is also responsible for reviewing our risk management policies and supervising our senior management on risk management in all aspects. Furthermore, it conducts surveys and evaluations on our risk management and policies status and risk tolerance levels on a regular basis, and reports to the Board of Directors. It provides recommendations to our Board of Directors on improving our risk management and internal control. In addition, the Risk Management Committee is responsible for formulating our authorization management scheme and reporting it to our Board of Directors for approval.

The Risk Management Committee currently consists of three Directors and is chaired by one of our independent Directors.

Audit Committee

The Audit Committee is primarily responsible for reviewing our risk and compliance status, management system for internal control and accounting policies, auditing our basic management system, financial reporting procedures and financial condition. This committee also supervises our annual audits, proposes the engagement or replacement of external auditors and coordinates communications between the internal audit department and external auditors. This committee reviews our audited financial statements and submits to the Board of Directors.

The Audit Committee currently consists of three non-executive Directors and is chaired by one of our independent Directors.

Related Party Transactions Control Committee

The Related Party Transactions Control Committee is primarily responsible for managing related party transactions, reviewing and approving related party transactions within authorizations, reviewing and reporting major related party transactions, and controlling risks of related party transactions. The committee is also responsible for formulating rules and the control framework relating to our related party transactions. It identifies related parties and connected parties and reports them to the Board of Directors and the Board of Supervisors, and provides the list of our related parties to our relevant staff. The committee submits the major related party transactions, upon the completion of its review, to our Board of Directors for approval, and reports to the Board of Supervisors and CBRC within ten days after approval by the Board of Directors. It also reports to the Board of Supervisors regarding related party transactions involving our Directors and senior executives within ten business days after approval.

The Related Party Transactions Control Committee currently consists of three Directors and is chaired by one of our independent Directors.

For details of the functions and powers of our Board of Directors as well as the responsibilities and composition of the Risk Management Committee, the Audit Committee and the Related Party Transactions Control Committee, please see "Directors, Supervisors and Senior Management — Committees Under the Board of Directors" and Appendix V — "Summary of Articles of Association" to this prospectus.

Board of Supervisors and its Special Committees

Our Board of Supervisors oversees our Board of Directors and senior management and monitors their performance of duties as well as our financial activities, internal control and risk management. It focuses on monitoring our major risk issues drawing the regulatory authorities' attention. The Board of Supervisors also reviews and appraises our risk management and makes recommendations. Furthermore, the Supervisory Committee is responsible for supervising and reviewing our financial activities. It also supervises the Board of Directors to establish sustainable business strategies and values and to formulate our development strategies commensurate with our current status and monitors and reviews our decision-making, risk management and internal control.

For details of the responsibilities of the Board of Supervisors, please see Appendix V — "Summary of Articles of Association" to this prospectus.

Senior Management and its Committees

The senior management at our head office is the most senior execution team in our risk management organizational structure, responsible for the implementation of our risk management policies. Its primary responsibilities are to formulate and perform regular reviews on and monitors the implementation of our risk management policies, procedures and standard operation procedures. The senior management should be fully informed of the exposure and management status of our various risks in a timely manner, to ensure the adequate allocation of human and other resources and appropriate organizational structure, management information systems and technologies to effectively identify, assess, monitor and control the risks to which our businesses are exposed. Our senior management also clearly defines the risk management responsibilities for various departments, sets reporting lines and the frequency and contents of risk reports and monitors various departments to effectively perform their risk management functions. Furthermore, our senior management is responsible for examining and revising our comprehensive risk management system to ensure its sound operation.

Our President leads our senior management on risk management and directly reports to our Board of Directors. Other senior executives assist our President to perform his duties. The President is responsible for executing our strategies, plans and policies of risk management determined by our Board of Directors, and coordinating our resources for risk management work. We have established the Risk Management Committee, the Asset and Liability Management Committee, the Credit Approval Committee and Information Technology Committee under senior management. Each committee generally consists of the President, the vice presidents responsible for the respective functions and the heads of the respective departments. The President, along with these committees, is responsible for organizing, coordinating and examining our risk management.

Asset and Liability Management Committee

The Asset and Liability Management Committee is responsible for analyzing the impact of changes in macroeconomic conditions and financial markets on our assets and liabilities, formulating our business operation plans and strategies, organizing the development of management policies for liquidity risk, interest rate risk, solvency risk and other market risks and reviewing major issues in our business operations. Our President serves as the chairman of the committee, and senior management personnel responsible for our asset and liability businesses serve as the vice chairmen.

Risk Management Committee

The Risk Management Committee is responsible for formulating and executing policies, procedures and measures of risk management in accordance with our overall planning and business objectives, managing our risks in a centralized, independent and professional manner and establishing and strengthening our sustainable risk control system and management mechanism to improve our comprehensive risk management capabilities. This committee reviews the effectiveness of our risk management and internal control systems and important development plans, schemes and major issues relating to our bank-wide risk management and reports to our Board of Directors.

Our President serves as the chairman of this committee, and other relevant senior management personnel serve as the vice chairmen. The heads of relevant departments of our head office serve as members.

Credit Approval Committee

The Credit Approval Committee, under the leadership of our President, is responsible for the review and approval of credit applications and business collaborations submitted by the credit approval department that is beyond the authorizations of the senior management personnel in charge of the respective business. In principle, credit approval decisions are made by this committee through meetings, and the chairman of the committee determines the time to convene meetings in accordance with business needs. The Credit Approval Committee reviews and approves credit extension applications upon approvals through a five-member quorum (where approvals by four or more members are required) or a seven-member quorum (where approvals by five or more members are required).

The Credit Approval Committee consists of a chairman, a vice chairman, seven official members, two members in attendance and five alternate members. The chairman and the vice chairman are served by our Vice Presidents.

Investment Approval Committee

The Investment Approval Committee, under the leadership of our President, is responsible for the review and approval of investment applications and interbank business submitted for approval by business departments including the interbank department, the financial markets department and the asset management department that is beyond the authorizations of the senior management personnel in charge of the respective business. In principle, credit approval decisions are made by this committee through meetings, and the chairman of the committee determines the time to convene meetings in accordance with business needs. The meetings of this committee require a quorum of two-thirds official members. Investment decisions by this committee are made upon the approval by three-fourth of the official members attending the meeting and the chairman of the committee.

The Investment Approval Committee consists of seven official members, including a chairman and six other official members. In addition, there are one alternate chairman, two members in attendance and two alternate members. The committee is chaired by our Vice President in charge of our financial investment operations, which is currently served by Mr. BAI Xiaofeng. The alternate chairman is our Vice President in charge of our credit approval department, which is currently served by Mr. XIA Hua. For the experiences of Mr. BAI and Mr. XIA, please see "Directors, Supervisors and Senior Management". The six official officers are the heads of our Financial Markets Department, Interbank Department, Asset Management Department, Corporate Department, Risk Management Department and Financial Planning Department, each of whom has over eight years of experience in their corresponding fields. The alternate members fulfill the duty of the official members on their behalf when the official members are not available for the meetings.

Information Technology Committee

The Information Technology Committee is responsible for reviewing major business strategies and technology strategies; reviewing and approving annual plans on information technology projects, including budget and priority; making decisions on new large projects; evaluating information technology systems; reporting our overall information technology status to the Board and management; approving and implementing contingency plans for information technology and evaluating the results of such plans. Our President serves as the chairman of the Information Technology Committee, and the Vice Presidents in charge of various businesses and the heads of various business departments serve as the members.

Risk Management Departments at Our Head Office

Our head office oversees all risk management activities and supervises risk management at our branches and sub-branches. A dedicated risk management department at our head office oversees our risk management overall functions. All of our business departments are responsible for their respective risk management within their scope of business. The principal risk management departments at our head office have the following duties and responsibilities.

- *Risk Management Department.* The risk management department is primarily responsible for the management of our credit risk and market risk. It also coordinates our overall risk management.

- *Credit Approval Department.* The credit approval department is a primary department with credit risk management functions.

- *Small Business Financing Department.* The small business financing department is a primary department with credit risk management functions.

- *Financial Markets Department.* The financial markets department is a primary department with market risk management functions.

- *Financial Planning Department.* The financial planning department manages our bank-wide assets and liabilities, supervises various financial and regulatory ratios and risk alerts. It manages our liquidity risk and interest rate risk.

- *Compliance Department.* The compliance department is mainly responsible for operational risk and compliance risk management.

- *Internal Audit Office.* The internal audit office is responsible for examining and evaluating the operation of our comprehensive risk management system, monitoring the implementation of our risk management policies, conducting independent assessments on our new risk management policies, procedures and standard operation procedures, and reporting to the Board of Directors with respect to its assessments on the operation of our risk management system.

- *Information Technology Department.* The information technology department is primarily responsible for the management of our information technology risk. It also oversees the security of our information system and reviews, and monitors and handles information security incidents and evaluates security risk on a regular basis.

- *General Office.* The general office of our head office is primarily responsible for the management of reputational risk.

Risk Management Framework of Our Branches and Sub-Branches

Through prudent authorization management, our head office oversees our branches and maintains vertical reporting lines on risk management. Our branches are responsible for implementing risk management policies and procedures formulated by our head office, currently focusing on the management of credit risk and operational risk. Our head office has developed standard operation manuals delineating credit authorization and policies, credit review and approval procedures and credit rating criteria, which our branches are required to follow, and updates from time to time. Our head office provides annual guidance on loan portfolios to branches based on their local economic conditions, business scale and target customer profiles, and grants credit authorization limits to each branch based on its business development capabilities, risk profile and internal control.

We have set up risk management departments at our branches, headed by general managers appointed by the risk management department at our head office. Each such department is responsible for implementing risk management policies formulated by our head office and supervising the implementation of various risk management policies at the respective branch, and reporting to the management of the branch and supervising departments at the head office. Our sub-branches do not have a designated risk management department, however, we have set up risk management posts at certain retail sub-branches.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of loss from the failure by an obligator or counterparty to meet its obligations in accordance with agreed upon terms. We are exposed to credit risk primarily through our loan portfolio, investment portfolio, guarantees and other on- and off-balance sheet credit risk exposures.

We have built an end-of-end credit risk management infrastructure to cover our entire credit business processes, with established policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. We have established a bank-wide standardized authorization and credit extension management system. We seek to improve our overall credit risk management capabilities through building up an internal customer rating system, upgrading credit risk management information system, and further tightening our credit review and monitoring.

We have been focusing on the following requirements on our credit risk management.

First, we seek to strengthen due diligence when accessing credit risks. We conduct in-depth investigation on enterprises applying for loans before granting credits and review the truthfulness of credit information to fully identify risk factors and increase our risk awareness.

Second, we seek to strengthen our credit compliance review. We require that the borrowers and the projects financed by our loans are in compliance with industry policies, macroeconomic control policies and environmental protection requirements as well as our credit policies and systems. We seek to improve our professional capabilities on project evaluation through carefully selecting financial and technology indicators and making conservative projections on future income to fully estimate risks during the construction and operation periods.

Third, we seek to reinforce the monitoring of borrowers' use of proceeds to ensure our credit funds to support real economy. We follow the regulatory requirements for calculating working capital needs of our corporate borrowers in making working capital loans and implement loan disbursement requirements strictly to prevent the risk of misuse of our credit funds. We also take measures to avoid our credit funds from being channeled into the private financing markets. In addition, we seek to verify the truthfulness of the underlying transactions of negotiable instruments and tighten the payment management. Moreover, we seek to strengthen our account monitoring and post-disbursement management through monitoring and analyzing fund flows in customer settlement accounts and abnormal movements and their causes, and taking steps to address early warning alerts.

Fourth, we seek to explore differentiated authorization hierarchy to support our strategic focus and allocate more credit resources to key regions and branches, target clients and quality customers, SMEs and innovative businesses to improve our credit portfolio. In addition, we seek to improve our regional and branch authorization system based on our business management capability, risk control capability and regional financial and economic condition, and adjust in accordance with business management results and risk profile in a timely manner.

Credit policy

We formulate an annual corporate credit policy setting forth credit extension guidelines for various regions, customer types, products and industries as well as pricing strategies for large corporate loans. Our credit risk policy requires us to ensure compliance and our businesses to meet the requirements under the macroeconomic policies, industry policies, market entry policies and the relevant PRC regulatory policies. In particular, for credit extension to industries sensitive to macroeconomic and regulatory policies, such as local government financing vehicles, real estate, and industries with high energy consumption, high pollution or overcapacity (兩高一剩), the relevant regulatory requirements must be complied with. We seek to make sound judgments on economic outlook, address the financing needs arising from the industry modernization and follow the green credit criteria, to increase credit support to the less cyclical industries and the industries whose growth is largely driven by consumption, and to reduce our credit exposure to the cyclical industries and the export dependent industries. We seek to prioritize supporting the industries with growing scale and profits and relatively high profit margins from their primary businesses, and to reduce our credit exposure to the industries with declining scale or profits or unfavorable growth prospects. We are gradually shifting our business focus from isolated enterprises and industries to evaluating the entire industry chains, from credit business to non-credit business, and from traditional products to innovative products.

Our credit policy distinguishes different geographical regions. We have divided Henan Province into three types of regions and implement differentiated entry policies. The first category consists of the encouraged regions, covering the cities where we have set up or plan to set up branches and the regions with developed economy in a benign financial environment. We encourage our branches to conduct in-depth surveys and analysis on the local industries with competitive strengths to further develop markets and expand our businesses. The second category consists of the regions we seek to enter with prudence, mainly covering the cities in the Central Plains Urban Agglomeration where we have not set up any branch but the local economy is relatively developed. The third category consists of the restricted regions, covering the cities with various issues relating to their financial markets.

Our credit policy also classifies loan applicants' industries into encouraged, maintained and restricted industry categories. Such classification is used for our pricing and management of loans. At present, the encouraged industries include modern agriculture, logistics, wholesale and retail, medical health, food, culture, tourism and strategic emerging industries. Maintained industries include sectors such as manufacturing, construction, transportation, power (including hydropower, nuclear power and wind power), automobile and petrochemical (oil refining) industries. Restricted industries include real estate, local government financing vehicles, coal, engineering machinery (including special purpose equipment manufacturing), industries with high energy consumption, high pollution or overcapacity (power (excluding the sub-sectors falling with "maintained" category), textile, steel, chemical, cement, nonferrous metal, papermaking) and certain other industries. We use exposure limits on certain restricted industries, specifically, by imposing limits on our credit balance (the sum of loans and exposure of acceptance bills) as a percentage of our total credit exposure. We apply name list management to certain closely monitored industries such as real estate, coal, construction and power industries.

Our small business financial department sets restrictions on credit extensions to small-sized processing and manufacturing enterprises and other customers with low entry thresholds, poor production technology and limited core competitiveness, including high-end catering, printing & packaging and papermaking, printing and dyeing textile, refractory materials, mining equipment, coal-mining machinery manufacturing, tannery, aluminum processing and small-sized chemical enterprises.

Credit Risk Management for Corporate Loans

Our risk management procedures of corporate loans include pre-loan investigation, credit review and approval, loan disbursement and post-disbursement management.

Customer Applications and Pre-loan Review

We commence the pre-loan review upon the submission of a corporate loan application by a customer. The applicant is generally required to provide necessary supporting documents, such as the organizational documents and financial statements of the applicant and, where applicable, the guarantors. Upon our receipt of the application, we conduct pre-loan investigation and review the applicant's credit profile pursuant to our established procedures and criteria. Our customer managers are required to collect customer information, review credit application documents and prepare a credit investigation report. The customer managers of the originating bank are responsible for pre-loan investigation. To control operational risk in the pre-loan review process, we have adopted a "two-person investigation" policy and focus on on-site investigation, supported by offsite review. Our customer managers and the senior personnel in charge at the originating bank must interview the actual controller, senior executives, financial personnel or chief person-in-charge of the customer applying for our loan. For manufacturing enterprises, we review their tangible assets, factory facilities and inventories and certain other matters. For non-manufacturing enterprises, we review their business premises, working environment, warehouses, logistics and material contracts with major suppliers and customers and certain other matters. In conducting financial review, the customer managers are required to verify the financial statements provided by the customer, spot check major items and material assets and review upstream and downstream settlement methods and payment terms. The customer managers are required to prepare a credit due diligence report in a timely and objective manner in the required form, upon the completion of their due diligence investigation. The report should give a truthful description of the due diligence process, the key information verified and the truthfulness of the materials provided, disclose the major risks of the proposed loan, formulate a proposed plan on extension of a loan and analyze the applicant's loan repayment ability.

In our credit review, we pay close attention to (i) the risks relating to the borrower's industry ; (ii) the borrower's financial condition, such as cash flows, revenues, total assets and sources of repayments; (iii) competitiveness and growth potential of the borrower; (iv) proposed use of the loan proceeds; (v) credit records of the borrower; and (vi) the guarantor's credit worthiness and the value of the collateral.

Credit Rating of Customers

We rate our corporate customers based on our internal credit rating criteria. We maintain a 10-grade credit rating system, namely, from high to low, AAA, AA+, AA, AA-, A+, A, A-, BBB, BB and B. We consider both the quantitative and qualitative indicators when we rate customers. In principle, we only extend loans to companies with a credit rating of BBB or above. In assigning a credit rating to a customer, we give more weights to quantitative indicators and also consider qualitative indicators. Quantitative indicators include solvency, cash flows, operational indicators, profitability, growth potential and asset size. Qualitative indicators include the quality of senior management, operational and management capabilities, credit status, related party transactions, account activities, financial management, and competitiveness and development prospects.

Our customer credit rating system models cover 19 industries. Based on the customers' industries, business scale and historical default sample data, we divide corporate customers into seven categories, which are large and medium-sized corporations, small and micro enterprises, real estate companies, guarantee companies, public institutions, newly formed enterprises and project loan companies. Based on the customers' industries, business scale or nature, we have established 17 rating models in our credit rating system.

Credit rating results are generated automatically upon the entry by a customer manager of the required financial and operating data of a customer into our credit rating system. The authorized reviewer may, upon review, raise or lower the rating.

We generally re-rate our customers on an annual basis. Upon a significant change in the borrower's financial condition or business operations or the occurrence of any other events that may materially impair the borrower's ability to repay the loan, the system generated rating results are changed correspondingly.

Collateral Appraisal

For loans secured by collateral, we appraise the value of collateral before approving a loan. The value of collateral can be determined by a third party appraiser approved by us. We appraise the value of collateral based on its market value, expected returns and replacement cost. Secured loans are generally subject to collateral-to-value ratio limits based on the type of collateral. The maximum loan-to-value ratios of the principal types of collateral securing our corporate loans are as follows.

Types of collateral	Maximum loan-to-value ratio
Mortgage	
Building ownership	70%
Land use right for construction sites	70%
Vehicles and commonly used machines, equipment and tools	50%
Buildings under construction and the land use right on the parcel of land under construction	50%
Other mortgaged collateral	50%
Pledge	
Bank drafts, bank acceptance bills, cheques, promissory notes, PRC government bonds and certificates of deposit	100%
Principal-guaranteed wealth management products issued by us	90%
Non-principal-guaranteed wealth management products issued by us	70%
Equity interests in banking institutions	90%
Equity interests in non-banking institutions, commercial acceptance bills, warehouse receipts and bills of lading	70%
Right to collect tolls on highways, bridges, tunnels and ferries; receivables	60%
Other pledged collateral	60%

The originating branch or sub-branch negotiates with the borrower and the mortgager to determine the loan-to-value ratio for the loan applied for based on the borrower's credit worthiness, business and operational conditions, and risk profile as well as the nature, realizable value, price trends of collateral, and certain other factors. The validity period of the appraisal of the collateral should be no shorter than the loan maturity. For medium- and long-term loans secured by collateral, re-appraisal on the collateral is required upon the expiration of the validity period of the appraisal. During the period of mortgage or pledge, the collateral is generally re-appraised on a semi-annual basis to confirm the value of the collateral. Upon declines in the value of the collateral, we may request additional collateral from or prepayment by the borrower. In respect of guarantees provided by a third-party guarantor, we assess the guarantor's financial condition, credit history and ability to meet its obligations following the same procedures and criteria for assessing loan applicants.

For loans secured by guarantees, we have clarified the qualification requirements for guarantors and the procedures of pre-loan investigation on guarantors. We conduct pre-loan investigations on guarantors under the same criteria as applicable to borrowers. In addition, we perform robust post-disbursement management on guarantors, including through a risk alert system. We closely monitor the operational and financial conditions of the guarantors, as well as their shareholders and senior management. We have also incorporated, in our five-category loan classification criteria, downgrade triggers such as adverse changes in the operational, financial, organizational or other conditions of the guarantors.

Credit Review and Approval

Our corporate loans are reviewed and approved by our head office and the originating branches or sub-branches in accordance with their respective authorizations.

At our head office level, credit review and approval authorizations have been given to the credit approval department and the Vice President in charge of credit risk and the small business financing department. Credit applications beyond their respective authorizations are submitted to the Credit Approval Committee for approval. The credit extensions using funds from wealth management products issued by us are reviewed initially by the asset management department, and non-standard debt financing applications and interbank credit applications are reviewed initially by the interbank department, before being submitted to the authorized reviewers for approval.

For branches and sub-branches, the head office grants authorizations to the heads of the originating branches and sub-branches to review and approve credit applications within their respective authorizations. Credit authorizations are generally valid for one year. We make adjustments to the credit authorizations in accordance with macroeconomic conditions and our credit risk profile at the beginning of each year.

General Corporate Loans

Our credit review and approval is principled around the separation between loan approval and loan origination and the hierarchized credit approval system. We launched an "independent reviewer" system in late April 2015. An independent reviewer is a designated credit approval professional with respective credit authorization approval after passing our qualification exams. Based on the amount of loan involved, the nature of the business, the risk profile and the efficiency requirements, we have adopted dual-signature, triple-signature and quadruple-signature approval and approval by meetings of our Credit Approval Committee.

Based on the amount of loan and scope of authorizations, our credit review and approval procedures include the procedures for credit extensions within the authorizations of the originating branches or sub-branches and those beyond their authorizations.

The procedures for credit review and approval within the authorizations of the originating branches or sub-branches are that after the branch or sub-branch reviews a credit application and the reviewers conduct credit review, the application is submitted to the credit review group of the originating branch or sub-branch bank for review. Credit applications surviving such review are submitted to the head of the originating branch or sub-branch for signature.

The procedures for credit review and approval beyond the authorizations of the originating branches or sub-branches are that after the branch or sub-branch reviews a credit application, it is passed on to the credit reviewers at the head office and the deputy head of the credit review department at the head office for review. Credit applications surviving such review are passed on to the head of the credit review department at the head office for further review before being submitted to the responsible Vice President at the head office, the President at the head office, the Chairman, and the Risk Management Committee of the Board and the Related Party Transactions Control Committee of the Board for approval, where applicable, in accordance with their respective authorization and the amount of the loan applied for.

Loan applications that are beyond the credit review and approval authorizations of the credit approval department and the Vice President in charge of credit risk are submitted to the Credit Approval Committee at the head office for review and approval. For the composition of the Credit Approval Committee and its review and approval process, please see "— Framework of the Risk Management System — Senior Management and its Committees — Credit Approval Committee". Our President does not attend the meetings of Credit Approval Committee but may veto or limit any credit extension approved by the committee.

In accordance with relevant rules of the regulatory authorities, we grant credits to related parties upon special review and approval procedures. If the credit to be granted to a related party involves less than 1% of our latest audited net assets and the balance of our credit exposure to such related party after the consummation of such transaction would account for less than 5% of our net capital, the credit application shall be submitted to our Related Party Transactions Control Committee for approval after being reviewed and approved by our respective authorized credit approvers. If the credit to be granted to a related party involves 1% or more of our latest audited net assets or the balance of our credit exposure to such related party after the consummation of such transaction would account for 5% or more of our net capital, the credit application shall be submitted to our Board of Directors for approval after the review by the Related Party Transactions Control Committee on reasonableness and fairness. Our Board of Directors submits an annual report on related party transactions and the implementation of the related party transaction controls to the shareholders' general meeting.

Loans to Small and Micro Enterprises

Our small business financing department is given the authorization to review and approve applications for secured loans of less than RMB10 million and unsecured loans of less than RMB5.0 million to small and micro enterprises. Please see "— Credit Risk Management for Small Business and Personal Loans — Credit Approval" for the review and approval procedures of the small business financing department. Loans to small and micro enterprises beyond the above approval authorizations are required to follow the general corporate loan approval process for credit review and approval.

Loan Disbursement

Upon the approval of a corporate loan application, we enter into a loan agreement and ancillary agreements with the borrower setting forth the key terms of the loan and, where applicable, the security interest. We have established standard operation procedures for corporate loan disbursements. After the customer manager of the originating branch or sub-branch prepares loan disbursement materials, confirms the satisfaction of the conditions precedent and enters relevant information in the credit system, the head of the originating branch or sub-branch reviews relevant materials and approves the disbursement. Upon the satisfaction of the relevant conditions for disbursement, the risk management department at the head office or an authorized reviewer conducts review and then gives disbursement instructions. The general teller desk at the originating branch or sub-branch then disburses the loan in accordance with the accounting procedures.

Post-Disbursement Management

Our post-disbursement management consists primarily of monitoring of the use of loan proceeds, post-disbursement inspection, risk monitoring and alert, collateral management, loan risk classification, management of overdue loans and non-performing loans and post-disbursement reporting.

We closely monitor the use of the loan proceeds to ensure the funds are used for the purpose as specified in the loan agreement.

Post-disbursement inspection mainly covers the borrower's overall status, use of the loan proceeds, major operation and management issues, financial and operational conditions, progress of the construction of the project financed by our loan, settlement records and the status of the collateral. Our post-disbursement inspection is performed through on-site visits or off-site monitoring. During on-site inspections, we visit our customers, interview their senior management such as the legal representative or financial officer, inspect their business premises, review their financial accounts, and check their inventories to identify any potential issues on a timely basis. Various visual and video files obtained during the visits will be kept as evidences and as appendices to the post-disbursement inspection reports. In conducting off-site monitoring, we analyze various data provided by our customers and the relevant information collected through the information system of certain regulatory authorities (such as tax authorities, industry and commerce bureaus and credit information authorities), as well as other channels such as telephone, Internet and media. We inspect our loan customers on a regular basis. Specifically, we conduct on-site inspections on the customers whose loans are classified as "normal" at least on a quarterly basis and on the customers whose loans are classified as "special mention" or lower classifications or the maturities of whose loans have been extended at least on a monthly basis. We formulate recovery plans and actions on the loans classified as "substandard" or lower classifications.

We have established a risk alert mechanism for corporate loans at our head office and the branches to detect and reduce credit risks at an early stage. Based on the severity of the risk of a customer's repayment abilities, we classify credit risk alert signals into significant alert signals and general alert signals. Significant alert signals are those that will have a material adverse effect on the recovery of our loans if no remediation actions are taken. For example, a loan or bank acceptance bill is about to mature but the customer does not have sufficient funds in its accounts and is unable to raise funds to repay our loan in the short term, resulting in a relatively high likelihood of our loan becoming overdue or our advancing funds for the customer; or although the loan is not overdue yet and the interest payments are still current, there have been significant changes to the customer's operations as a result of changes to the macroeconomic policies, economic outlook and market conditions. The compliance department at our head office reports to the relevant departments, on a timely basis, the alert signals it has identified through its regular reviews, and continues to monitor the development of such alerts. The risk management department at the head office is responsible for collecting the risk alert reports submitted by various branches and sub-branches and functional departments, urging branches and sub-branches to implement risk mitigation plans, and evaluating the functionality of our risk alerts. Significant risk alerts are submitted by the risk management department at the head office to the meetings reviewing credit risk mitigation measures. At the meetings, the risk alerts are analyzed and the risk mitigation plans prepared the branches and sub-branches are reviewed. The risk management department at the head office monitors the branches and sub-branches to implement risk mitigation plans to ensure the security of our loan funds. Meetings on credit risk mitigation measures are generally held on a quarterly basis, but in the event of any major or urgent situations a meeting may be called anytime.

On collateral management, the risk management department at the head office is responsible for the centralized management of title documents, certificates and other documents evidencing our security interest in the collateral securing our large loans while the risk management departments of our branches are responsible for collateral management within their coverage scope. The loan origination branches and sub-branches are required to maintain a *Collateral Register* to record relevant issues relating to the collateral on a timely basis. Where the collateral is damaged or lost while our loan is outstanding, the originating branch or sub-branch should require the mortgagor or pledger to take immediate measures to prevent further losses and provide, on a timely basis, the certificates issued by relevant authorities evidencing the reason for such damage or loss. The originating branch or sub-branch may also require the mortgagor or pledger to use the insurance claims to first repay our loan. Where the collateral is likely to be damaged or its value is likely to significantly decline, thereby impairing our interests, the originating branch or sub-branch should require the mortgagor or pledger or the borrower to increase collateral to cover the shortfall, repay our loans in advance of the scheduled maturity or provide other collateral recognized by us to fully cover our loan exposure.

Loan classification is an important part of our ongoing monitoring of loans. Based on the livelihood of full repayment of the principal and interest on our loan by the borrower on a timely basis, we classify our loans into normal, special-mention, substandard, doubtful and loss loans. Loans in substandard, doubtful and loss classifications are considered as non-performing loans. The risk management department at the head office is the designated department for the centralized management of our bank-wide loan classification, leading the implementation, review, confirmation, statistics, and analysis and reporting of loan classifications. The credit risk management office of the

Risk Management Committee under our senior management is responsible for our bank-wide loan classification and the final affirmation of our loan classification results. When classifying a loan, we focus on the repayment ability of the borrower. For details of our loan classification criteria, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Loan Classification Criteria". Loans are classified at least on a quarterly basis and can be reclassified immediately based on post-disbursement inspection results and risk alert signals. We assess our loans for impairment, through individual or collective assessments, and make provisions for loan losses on a quarterly basis.

We monitor maturities of loans on a monthly basis. Our customer managers are reminded to send repayment notices to the borrower and the guarantor 30 days prior to the maturity of a loan to urge the borrower to repay our loan at maturity. We send collection notices on overdue loans to our borrowers and guarantors within two days of a loan becoming overdue. Before a loan is repaid in full, we visit the borrower and the guarantor at least once a month to collect the loan. We also prepare post-disbursement inspection reports on a timely basis, recording the reasons for the borrower's failure to repay our loans when due and our collection efforts.

We actively manage non-performing loans to reduce our credit risk and improve our recovery ratios on them. With respect to the issues such as major risk incidents, weak responses to for alert signals, loans overdue and advances under bank acceptances, our risk management department holds credit risk disposition meetings to collect information reported by our branches and sub-branches on non-performing loans, develop loan recovery plans, hold relevant personnel accountable and urge the relevant branches and sub-branches to recover the loans pursuant to our requirements. We formulate recovery strategies and plans for non-performing loans, aiming to recover non-performing loans through cash collection , foreclosure on collateral, write-offs, legal proceedings and certain other actions.

In addition to the above credit risk management measures for our general corporate loans, we have developed additional risk management measures to address the special features of trade finance business and bill discounting business.

Risk Management for Trade Finance

Our risk management measures for trade finance mainly include the following.

- Credit applicants are required to meet our client onboarding criteria with respect to the industries and customers. We do not allow our trade finance business to be used to support customers or businesses that do not meet policy or regulatory requirements.

- We do not provide trade finance to support illegal underlying transactions, agent sales contracts, future receivables, receivables with unclear title, and claims for payment arising from negotiable instruments or other securities.

- We focus on verifying the truthfulness of the relevant contracts and underlying transactions as well as the overall strength of the core companies.

- We generally require the buyers and the sellers involved in trade finance transactions to be in stable supply and purchase relation without any pending disputes or money claims.

- We generally require the buyers and the sellers involved in trade finance transactions not to be related parties. For receivables involving related party transactions between the buyer and the seller, we take practical measures to prevent them from obtaining funds from us through fictitious transactions. Trade finance involving affiliated companies are treated as credit extension to the group of which these affiliated companies are member companies.

Risk Management for Discounted Bill Business

We have promulgated management measures and procedures for our bill discounting business. Relevant business departments approve bill discounting in accordance with to the authorizations from our head office. We provide discounting of bank acceptance bills and commercial acceptance bills. Discounting of commercial acceptance bills is a primary for area of our risk management. We manage the risk arising from discounting of bank acceptance bills primarily through verifying the authenticity of the bills and the items recorded on the bills. The interbank department approves discounting of bank acceptance bills within its credit approval authorizations.

In advance of going through the credit approval procedures for general corporate loans, discounting of commercial acceptance bills is required to be reviewed by our trade finance department. We have segregated the operations of front desks and middle and back offices in managing our commercial acceptance bills discounting business. The bills are required to be reviewed by two reviewers. We require two customer managers at the originating branch or sub-branch to conduct on-site inspections on the corporate customers requesting bill discounting and verify the truthfulness of the underlying transactions. Commercial bills requested to be discounted are sent to the front office at the originating branch or sub-branch to confirm the conformity of the seal on the bill with the sample of the seal in our custody. The authorized approval department reviews the applications submitted through our credit management system for large corporate loans. Upon review and approval, our back-office settlement department release the funds to the enterprises. Before the maturity of the bill, our settlement department dispatches collection instructions to the acceptance bank to collect payments. Our risk management department make risk classifications on commercial acceptance bills based on the repayment status. We only accept bill discounting applications from customers with sound credit records and good business relationship with us. We seek to verify the truthfulness of the underlying transaction of the discounted bills and focus on the profitability, credit history and cash flows of the applicants.

Portfolio Management and Credit Guidelines

We have established special policies for credit risk management in key risk areas, such as loans to local government financing vehicles, loans to real estate developers and loans to enterprises in industries with overcapacity.

Credit Risk Management for Loans to Local Government Financing Vehicles

We rigorously manage loans to government financing vehicles in accordance with regulatory policies and our credit policies. We seek to refine the portfolio under the principle of "exposure limit, tailored management, differentiated treatment and gradual recovery". We focus on the prevention of policy risks and implement the three principles of "controlling the overall credit risk exposure to local governments, complying with all requirements of regulatory policies and effectively preventing compliance risk". First, we strictly control our overall credit exposure and our credit policies limit our total loans to the government agencies or their financing vehicles which do not manage tax revenues to 3% of our total credit extension balances. Second, through policy guidance, we seek to conduct rigorous assessments on our loans to government entities, including those to local government financing vehicles, in accordance with policy requirements to ensure our credit extension and management in compliance with such policy requirements. Third, we seek to adjust the mix of our loan portfolios and provide limited credit lines for land reserve loans, subject to exposure limits and strict implementation of loan classification criteria. We also closely monitor the customers who are on the supervision list and control our exposure and credit risk to them. Fourth, we monitor our exposure to local government financing vehicles in all forms and focus on the changes in the operations of the borrowers and the risks of various local government debts becoming due at the substantially the same time. We urge the borrowers to implement repayment plans to repay our loans when due.

To grant credits to local government financing vehicles, in additions to the requirements for general credit business, we also require the satisfaction of the "six conditions precedent", namely, (i) sufficient cash flows to cover the repayment of loans; (ii) collateral and guarantees are provided in compliance with the current rules, there is no direct or indirect guarantee from the local government, public institutions or social organizations, and remediation measures have been implemented in such aspects as collateral or guarantees, loan tenors and repayment methods of existing loans to meet regulatory requirements; (iii) the portion of the existing loans to the local government financing vehicles to be repaid with the funds from the local government budgets have been included in the local government fiscal budget, and the sources of the budget funds have been secured; (iv) the borrower is a local financing vehicle; (v) the debt-to-asset ratio of the borrower is lower than 80%; and (vi) meeting the requirements of the Notice on Suppressing Local Governments' Illegal Financing Activities (Cai Yu [2012] No. 463) (《關於制止地方政府違法違規融資行為的通知》(財預[2012]463號)).

At December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of loans we granted to the local government financing vehicles was RMB800.8 million, RMB800.8 million, RMB791.9 million and RMB495.7 million, respectively, accounting for 2.45%, 1.85%, 1.54% and 0.86% of the balance of our corporate loans, respectively. At June 30, 2015, the balance of loans to local government financing vehicles was RMB495.7 million, including RMB386.2 million used by local governments for investments in land reserves and RMB109.5 million to support the construction of transportation infrastructures. All of these loans were secured by collateral or guarantees. As of June 30, 2015, none of our loans to the local government financing vehicles were classified as non-performing.

Credit Risk Management for Loans to Real Estate Developers

We set exposure limits on the loans to real estate developers. When conducting credit review, we focus on examining the real estate developers' key financial indicators such as financial strengths, financing structure, arrangements for debt repayment, development cost and the ratio of the properties sold to total properties, the location and the purposes of the real estate development projects, government approvals and permits for the projects and the adequacy of the start-up funds provided by the developers. We strictly implement white list management for the real estate industry and make dynamic adjustments based on the characteristics of the local markets, changes to industry rankings, the reach of our branches and sub-branches in the province and our business status. In 2015, we have further raised the client onboarding criteria for loans to real estate developers. For example, the minimum equity ratio for residential development projects has been set at 30%, while the minimum capital ratio for commercial property development projects has been set at 40%. Loans applied for by real estate developers may only be extended in the form of real estate development loans and may not be entended in the forms of working capital loans, loans for infrastructure construction or any other forms. We handle with caution the wealth management products to support real estate developers and land reserve institutions. Real estate loans may not be extended upon maturity. We require real estate developers to open escrow accounts with us to allow us to strengthen the management of loan drawdowns, conduct strict review on use of our loan proceeds and verify the authenticity of transaction certificates and title documents. Loans are disbursed according to the progress of project construction. We monitor our exposure limits and give a total credit line to the companies in the same group. Moreover, we conduct stress tests on real estate loans at least once a year in accordance with CBRC's requirements.

At June 30, 2015, our loans to the real estate industry amounted to RMB6,556 million, accounting for 11.2% of our corporate loan balance. None of our loans to real estate developers were classified as non-performing.

Credit Risk Management for Loans to Industries with Overcapacity

The State Council, CBRC and the local government of Henan Province have promulgated policies to restrict loans to industries with severe overcapacity (including steel, cement, plate glass, electrolytic aluminum and shipping industries). We adjust our marketing guidelines on a timely basis and adopt dynamic approaches on credit extensions to support the industrial modernization in Henan Province. We seek to minimize credit extensions to the enterprises that are not in the leading positions in the industries with overcapacity and not to extend any credit to small enterprises in the industries with overcapacity. We have implemented rigorous entry restrictions with respect certain industry sectors with overcapacity, and reduce credit exposure to or exit from traditional equipment manufacturing enterprises with overcapacity, outdated production equipment, high resources consumption and serious environmental pollution. With regard to outstanding loans to the industries with overcapacity, we allocate our credit resources based on our current risk exposure profile and seek to continue to improve our client onboarding criteria to refine our customer mix and promptly exit from the industries with overcapacity and low-end manufacturing industries. At June 30, 2015, the balance of our loans to enterprises in the industries with overcapacity was RMB1,505 million, all of which were classified as "normal".

Credit Risk Management for Small Business and Personal Loans

Customer Applications and Pre-Loan Investigation

Upon knowing a customer's intent to apply for a loan, our customer managers conduct a screening in accordance with our current credit policies and collects relevant credit information from eligible potential customers. Meanwhile, our customer managers negotiate with the potential customers to determine the key terms of the loan, including the use of proceeds, maturity and collateral. Upon our receipt of applications for small business loans or personal loans, the branches or sub-branches conduct pre-loan investigations, review and approve loan applications within their respective approval authority and issue due diligence reports. For loan applications beyond the approval authority of the branches and sub-branches, the application packages are submitted to the independent reviewers of the small business financing department at the head office for review.

Credit Rating of Customers

We have established an internal credit rating system for small business loans customers and personal loan customers that evaluates the borrowers' creditworthiness with score cards. As the basis for our identification, measurement, monitoring and control of credit risks, internal credit rating provides important support for credit analysis, loan approval, loan pricing, post-disbursement management, economic capital allocation and evaluation.

Our ratings on individual customers are divided into seven classes based on their creditworthiness: AAA, AA, A, BBB, BB, B and C. Credit ratings are assigned on the eligibility of a qualified borrower, including the considerations of the following factors: age, educational background, occupation, job title and seniority; household income per capita; ratio of total family debt to annual family income; family household assets; industry sector, operation status and development prospects of the borrower's employer; the borrower's years in service in the current job; whether the borrower is our existing customer, or has deposit with us; the relationship between the borrower and us and the credit records of the borrower. We generally only grant loans to personal loan customers with credit ratings above BBB. The credit rating results automatically generated by our rating system can be adjusted by authorized staff who only have authority to lower ratings on individual customers.

We rate our small business customers through our customer credit rating system, which has been established pursuant to the applicable regulatory requirements and based on our assessments on the local economic development and our customers' historical default experience, as well as our quantitative and qualitative analysis, static and dynamic analysis, and financial and non-financial analysis, incorporating carefully selected qualitative and quantitative indicators. Our ratings on small business customers are divided into seven classes based on their creditworthiness: AAA, AA, A, BBB, BB, B and C. Major credit rating assessment indicators include the enterprise's overall strengths, business capabilities, solvency, operational capabilities, profitability and growth prospects. Our credit rating system has ten rating models for our small business in various industries and of different sizes and nature. Our credit rating for small business customers also has six limiting indicators, including debt-to-assets ratio, profit growth ratio, performance indicators, customer size, competitiveness in the industry and truthfulness of the financial statements. Where any limiting indicator of a borrower is below certain threshold, its credit rating may not be above a certain rating. For example, when a borrower's debt-to-assets ratio is higher than 80% and lower than 90%, its credit rating may not be above A, and where losses are recorded for both the current period and the same period of last year, the borrower's credit rating may not be above BB. We generally only grant loans to small business loan customers with credit ratings above BBB.

Credit Approval

Upon review by the reviewers at the originating branches or sub-branches, applications for small business loans or personal loans are submitted to the senior personnel of the branches or sub-branches for review and approval within their respective authorizations. The authorized reviewers are held accountable for the loans approved by them entirely. Applications for small business loans or personal loans beyond the authorizations of the originating branches and sub-branches are submitted to the small business financing department at the head office for review and approval by independent reviewers at this department. Loan applications beyond these authorizations of independent reviewers are passed, upon the completion of such review, the chief reviewer or the deputy head, the head, the credit approval committee for small business loans or personal loans or the reviewer with ultimate authority for review and approval within their respective authorizations.

We have implemented differentiated credit approval procedures for small business loans and personal loans, which require the approvals to be signed by a single approver, or two, three or four authorized approvers acting within their respective authorizations. The credit approval committee for small business loans or personal loans has been set up in the small business financing department, which reviews and approves credit extensions through meetings. This committee consists of credit approval in Role A and Role B. Role A is taken by the head and deputy head of the committee (head and deputy head of the small business financing department, respectively), and Role B is taken by credit reviewers of the small business financing department. Each meeting of this committee must be attended by at least three members, including at least one member of Role A. This committee may invite our relevant experts to attend the meetings and provide recommendations where needed. Approvals given at the meetings of this committee must be made by unanimous votes.

Loan Disbursements and Post-Disbursement Management

The disbursement procedures for small business loans and personal loans are similar to those for corporate loans. Loans can be disbursed only upon the satisfaction of all the conditions precedents.

The loan disbursement center of the small business financing department reviews the validity, risks, completeness and compliance of the documents relating to small business loans and personal loans, and the general teller desk of the originating branches or sub-branches are responsible for disbursing loan.

The originating branches or sub-branches disbursing loans are responsible for post-disbursement management. Our customer managers for small business loans and personal loans conduct regular review of and maintain contact with the borrowers. We monitor loan repayment schedules and focus on significant changes in the borrower's income and expenses. With respect to overdue loans, we look into the reasons and assess default risk.

We classify small business loans and personal loans base on the length of time by which repayment is overdue and the borrowers' risk profiles and collateral. For details of our loan classification criteria for small business loans and personal loans, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Loan Classification Criteria".

Credit Risk Management for Credit Card Business

Our credit card department is responsible for developing and updating our credit extension policies for our credit card business, differentiating our credit card customers with different credit profiles on credit limits for credit approval criteria, application conditions and approval procedures. We review and identify our customers' potential credit risks by leveraging internal and external credit information sources, including our blacklists, the personal credit information database maintained by PBoC, the identity verification system maintained by the Ministry of Public Security and the risk information sharing by China UnionPay. Meanwhile, in order to improve the effectiveness of collection on our credit cards, our credit card department has designated staff for collection management. We collect overdue credit card balances through mobile phone messages, phone calls, in-person visits or legal proceedings, depending on the risk profile of the cardholders.

Credit Risk Management for Treasury Business

Credit risk arising from our treasury business comes primarily from our investments in debt securities, financial assets held under resale agreements, deposits with banks and other financial institutions, interbank lending, investments in trust schemes and asset management plans as well as investments with funds from our wealth management products. The financial markets department, the interbank department and the asset management department at the head office are the primary risk management departments for our treasury business. We assign a credit limit to each counterparty and each issuer of debt securities in accordance with our credit approval procedures.

Investments in debt securities and financial assets held under resale agreements are required to meet our head office's requirements on certain indicators, such as asset-liability ratio and capital adequacy ratio. We seek to ensure the balance between risks and returns on debt securities with various maturities and the appropriateness of the mix and the modified durations of our debt securities portfolio to achieve security, liquidity and profitability on these assets. We conduct bond trading under the principles of "effective checks and balances and separation of duties". Our trading departments are segregated from the internal control departments, and within our trading departments, trading and settlements are executed by different staff, thereby forming an organizational structure consisting front desks and middle and back offices. We maintain strict qualification requirements on our bond trading and financing staff and do not allow any staff to act as trader or settlement personnel without requisite qualifications.

Our deposits with banks and other financial institutions are centrally managed by our head office. We have implemented stringent control over deposits with banks and other financial institutions. We review and approve credit lines to the banks and other financial institutions taking our deposits based on their business scale, operating conditions and credit ratings, and grant different credit lines based on their nature. Before each transaction, we select a counterparty with low risk based on the liquidity and market price of the interbank market. To further prevent risks arising from deposits with banks and other financial institutions, we keep the amounts of such deposits strictly below the credit lines we have granted to the respective banks and other financial institutions, and monitor and control each deposit and its maturity date.

Since the launch of our interbank lending business, we have implemented rigorous control over counterparties risk. We review and approve credit lines to the counterparties based on their business scale and operating conditions and grant different credit lines based on their nature. Meanwhile, we have established a blacklist including the institutions in default or with poor credit records, to effectively prevent credit risks of our counterparties. Our interbank lending business is subject to our management of interbank credit lines. We also strictly implement PBoC's limits on the balances of interbank lending.

Our head office centrally manage the risks arising from our investments in investment products under trust schemes and investment products managed by securities companies. We manage the risks arising from these investments primarily through the following measures.

- We select counterparties that are well-managed and have financial strength to enter into investment transactions in accordance with the applicable laws, regulations and policies of the PRC. We conduct comprehensive and in-depth due diligence on the trust companies, asset management companies and securities companies through reviewing their various business licenses and qualifications, assets under their management, results of operations and the management's overall capabilities to determine whether to enter into an investment. We also conduct post-investment evaluations on the trust companies, asset management companies and securities companies. In the event that a trust company, asset management company or securities company's share capital is reduced or financial condition has deteriorated, or it has been involved in significant financial disputes or violation of laws or regulations affecting its ability to manage the trust schemes or asset management plans, or it has failed to perform its obligations under the agreement with us, we will seek to exit the relevant investments.

- We approve each investment in investment products under trust schemes and investment products managed by securities companies through multi-tiered review and approval procedures. Our due diligence follows the same requirements applicable to our credit extension business. We review such matters as the investment products under trust schemes and investment products managed by securities companies, the industries and the projects to which the funds will be channeled, the underlying borrowers, the collateral, risk profile and control measures. The review results are reported to the authorized reviewers through our approval hierarchy for review and approval. Upon the completion of the review and approval procedures, our head office may make the investment subject to the approved conditions.

  Authorized reviewers. Our authorized reviewers include our Vice President in charge of our financial investment operations, President, Chairman of the Board, and the Investment Approval Committee and the Credit Approval Committee under our senior management. For the experiences of our Vice President, President and Chairman of the

Board, please see "Directors, Supervisors and Senior Management". For the details of our Investment Approval Committee and Credit Approval Committee, please see "Risk Management — Framework of the Risk Management System — Senior Management and its Committees".

Approval procedures. Proposed investments are approved by our Vice President in charge of our financial investment operations if such investments fall within his approval authority. He is authorized to approve investments in an amount of up to RMB3 billion which is either properly guaranteed by financial institutions, or due within 90 days, subject to the limit of RMB60 billion on the total balance of such investments. Proposed investments exceeding his approval authority are submitted to our Investment Approval Committee for review. Proposals surviving the review of our Investment Approval Committee can be vetoed or approved (with or without conditions) by our President within his approval authority. Our President is authorized to approve investments in an amount of up to RMB5 billion, subject to the limit of RMB96 billion on total balance of such investments. Proposed investments exceeding the approval authority of our President are submitted to the Chairman of the Board for review and approval. All approved investments are filed with our Credit Approval Committee for centralized credit management, and are subject to the credit line granted to the counterparties and/or the financing parties.

The above review and approval hierarchy and procedures also apply to our investments in other type of investment products, while the approval authorities of the authorized reviewers may differ for different types of investment products.

- We review investments in investment products under trust schemes and investment products managed by securities companies which are secured by third party guarantees under the same criteria as applicable to our large-amount corporate loans. We closely review the validity of the guarantees, the operations, management, creditworthiness, revenues, profitability and tax payment status of the ultimate borrowers and the guarantors, and the projects funded by the proceeds from such investment products. Such investments are approved through our credit approval procedures in accordance with our approval authorization hierarchy.

- The trust, asset management and securities companies and our originating branch carry out post-investment monitoring on each such investment. We require each relevant trust company, asset management company or securities company to also conduct follow-up monitoring on the underlying assets of the trust schemes and investment products managed by securities companies. We seek to obtain all the relevant information on the investment products, including, for example, the use of investment proceeds. We seek to effectively identify risks and take risk mitigating measures on a timely basis to ensure the safety of our investment assets through the management of transaction documents, on-site inspections and day-to-day monitoring, collection on investment returns, recovery of our investments, risk alerts and mitigation and disposal of overdue investments. We also conduct post-investment evaluation with respect to our investments in other investment products extending credits to borrowers as underlying assets to ensure their strict compliance with the terms and conditions as we approved and to timely identify any weaknesses in the borrower's operations that may adversely affect the borrower's repayment ability. Such post-investment evaluations include on-site inspections carried out at least once every quarter to evaluate the use of proceeds, the qualifications, management of business operation, borrowings and credit ratings of, and guarantees provided by, the borrowers and guarantors. Any alarming issues discovered during the inspections shall be reported in accordance with our internal requirements, and risk mitigating plans shall be formulated accordingly. We also demand our counterparty financial institutions to take actions to recover any overdue amount of the credit facilities underlying our investments, including enforcing the collaterals provided for the overdue credit facilities and bringing legal proceedings against the defaulting financing parties as appropriate.

Our Directors believe that the above measures, implemented pursuant to the applicable regulatory requirements, have been adequate and effective in strengthening our risk management with respect to our investments in investment products under trust schemes and investment products managed by securities companies.

In accordance with the regulatory requirements, we include our investments using the funds from the wealth management products we issued in our comprehensive risk management system. The assets with remaining maturities of one year or longer in which we invest with funds from the wealth management products we issued are primarily high yield corporate bonds. A significant portion of the wealth management products we issued are closed-end short-term products. To address the maturity mismatch between the wealth management products we issued and our investments using funds from these products, we have strengthened planning to ensure sound scheduling for rolling out new wealth management products. We comply with the regulations applicable to interbank bond trading in changing trading positions of bonds. To maintain asset liquidity, we allocate our investment assets funded by wealth management products between debt securities and non-standardized credit assets at 70:30 to minimize maturity mismatch between new investments and wealth management products.

MARKET RISK MANAGEMENT

Market risk is the risk of loss in on- and off-balance-sheet positions arising from movements in market prices. We are exposed to market risks through our banking portfolio and trading portfolio. The primary market risks associated with our banking portfolio are interest rate risk and exchange rate risk. The primary risk associated with our trading portfolio is fluctuations in the market value of our trading positions, which are affected by movements in observable market variables such as interest rates and exchange rates. We seek to control potential market losses within acceptable limits based on our risk appetite while we seek to maximize risk-adjusted returns.

Our organizational structure for market risk management covers the front, middle and back offices. Our Board of Directors bears ultimate responsibility for supervising our market risk management. Our senior management is responsible for the implementation of market risk management strategies and policies approved by our Board of Directors. Market risk management is led by the risk management department. The risk management department, the financial planning department, the financial markets department, the interbank department, the trade finance department and the asset management department are responsible for market risk management. To effectively perform its market risk management function, the risk management department has appointed designated market risk management personnel to the financial markets department to participate in the middle office management of the bond trading business in the financial markets department.

Our market risk management consists of the identification, measuring, monitoring and control of market risk. We also set different authorized risk limits for various products based on factors such as our overall market risk tolerance level, business strategy as well as market conditions for specific products. We set different exposure limits and employ different quantitative measures to manage different types of market risks arising from our banking book and trading book.

Market Risk Management for Our Banking Book

Interest Rate Risk Management

Interest rate risk refers to the risk of losses incurred by commercial banks arising from the uncertainties of changes in interest rates. The primary source of interest rate risk arising from our banking book is the mismatch in maturity or repricing dates of our interest rate-sensitive on-and off-balance sheet assets and liabilities. Maturity or repricing date mismatches may result in changes in net interest income and economic value due to fluctuations of the prevailing interest rates. We are exposed to interest rate risk through our day-to-day lending, deposit-taking activities and treasury business.

We manage interest rate risk exposure of our banking book primarily through adjustment to the mix of assets and liabilities. We seek to adjust our asset-liability portfolio by resetting interest rates for various products, adjusting funds transfer pricing, developing new products and promoting asset securitization. Asset securitization allows us to move certain credit assets off our balance sheet and adjust the interest rate profile of our credit asset portfolio. We are currently studying to use stress testing, scenario analysis, repricing gap analysis, duration gap analysis and interest rate sensitivity analysis to measure the potential exposure of interest rate changes.

Exchange rate risk management

Exchange rate risk primarily arises from mismatches in the currency denomination of our on-and off-balance sheet assets and liabilities and mismatches in the currency positions of our foreign currency transactions. We seek to manage exchange rate risk resulting from mismatches in our assets and liabilities by matching the sources and uses of our funds. We seek to keep the adverse impact of exchange rate fluctuations within an acceptable range by setting exposure limits and adjusting the currency profile of our assets and liabilities. We take consideration of exchange rate risk control in conducting trade finance business. For example, we require the ratio of security deposits be determined prior to our opening of an import letter of credit. Where the currency of the security deposit is different from the currency of the letter of credit, we consider the exchange rate fluctuations of the two currencies in the international markets and call additional security deposit as appropriate, to control the risk from making payments in the currency as set forth in the letter of credit.

Market Risk Management for Our Trading Book

Market risk arising from our trading book primarily comes from fluctuations in the value of the financial instruments on our trading book due to changes in interest rates and exchange rates. We employ a number of risk management techniques, e.g. trading limit and value-at-risk analysis, to monitor the market risks arising from our trading book on a daily basis. We conduct sensitivity analysis and stress tests for our trading book on a semi-annually basis. We have launched a trading and risk management system and perform dynamic analysis on changes in market risks through setting limits on our exposure to counterparties, price mix, modified duration, basis-point value and value-at-risk. In addition, we conduct profit or loss analysis on different investment portfolios, monitor trading limits and seek to improve our market risk management capabilities.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of failure to acquire sufficient funds in time or failure to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting our liquidity include the maturity mix of our assets and liabilities and changes to banking regulations, such as changes in the requirements relating to loan-to-deposit ratio and statutory deposit reserve ratio. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our cash flow positions. The objectives of our liquidity risk management are to ensure the availability of adequate funding at all times to meet our payment obligations and fund our business operations on a timely basis.

Our organizational structure for liquidity risk management is formed on the basis of separation of the responsibilities for the formulation, implementation and supervision of liquidity risk management policies and procedures. Our Board of Directors bears the ultimate responsibility for our liquidity risk management. The Risk Management Committee under our Board of Directors is responsible for approving the liquidity risk management policies and strategies developed by the senior management. The Asset and Liability Management Committee under our senior management is responsible for the management of our liquidity risk, specifically, responsible for formulating our liquidity management policies and leading the implementation of these policies. Our Board of Supervisors is responsible for supervising the Board of Directors and senior management on liquidity risk management on a day-to-day basis. Relevant departments, such as the financial planning department, the financial markets department, the interbank department and the asset management department, are responsible for liquidity risk management on a day-to-day basis.

We manage our liquidity risk mainly through monitoring the maturities of our assets and liabilities to ensure that we have sufficient funds to fulfill obligations as they become due. We have increased our efforts to improve our liquidity risk management after CBRC issued the "*Notice on Further Strengthening the Supervision on Liquidity Risks of Commercial Banks*" (《關於進一步加強商業銀行流動性風險監管的通知》) in February 2010 and the "*Measures for Liquidity Risk Management of Commercial Banks (Trial)*" (《商業銀行流動性風險管理辦法(試行)》), effective March 1, 2014. We have implemented the heightened regulatory requirements through closely monitoring various liquidity ratios, formulating contingency plans and strengthening liquidity risk management and stress tests. At present, we manage our liquidity risk through liquidity stress tests, liquidity limit system, the second generation of China National Advanced Payment System, position reporting and certain other tools. We are developing the cash flow analysis and management tools. Our major liquidity risk management measures include:

- centralized cash flow management and position limit management;
- implementation of large fund flows reporting system and reasonable allocation funds to improve return on assets;
- monitoring of liquidity risk through multiple key indicators, including liquidity ratio, liquidity gap ratio, surplus deposit reserve ratio, loan to deposit ratio, medium- and long-term loans to our total loans, deposits from top ten customers to total deposits, liquidity coverage ratio and net stable funding ratio;
- use of funds transfer pricing to guide our business and adjusting the maturity mix of our assets and liabilities;
- conducting periodical cash flow analysis and liquidity stress tests to identify potential liquidity risk and develop risk mitigation measures;
- appointing designated staff to monitor our liquidity and establishing effective reporting lines and channels; and
- establishing an early warning system and solution procedures for liquidity risk.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to losses that may be incurred due to inadequate or failed internal procedures, personnel or information technology systems, or external events. The primary operational risk we face include internal and external frauds, worksite safety failures, business interruptions, damage of tangible assets and failure in our information technology system. Our operational risk management objectives are to establish and improve operational risk management framework to achieve effective management of operational risks and to minimize operational risk losses.

Our organizational structure for operational risk management consists of our Board of Directors, Board of Supervisors, senior management, the compliance department, the risk management department, the internal audit office and various departments and branches. The Board of Directors, Board of Supervisors and senior management lead and supervise our operational risk management. Our Board of Directors bears ultimate responsibility for the effectiveness of operational risk management. Our senior management leads our day-to-day operational risk management. Our business departments, functional departments, branches and sub-branches, the compliance department and the risk management department, and internal audit office constitute the "three lines of defense" for our operational risk management. We have maintained close coordination and communications among our "three lines of defense", each also focusing on their own designated responsibilities. Our business departments, functional departments and branches and sub-branches, as the first line of defense, are directly responsible for operational risk management. The compliance department and risk management department at our head office, being the second line of defense, are responsible for establishing operational risk management policies and procedures, and coordinating, supporting and supervising operational risk management. The internal audit office, as the third line of defense, is responsible for evaluating the adequacy and effectiveness of our operational risk management policies and procedures.

We have established a bottom-up operational risk reporting system. The compliance department submits periodical and ad hoc reports covering operational risks to our Board of Directors, Board of Supervisors and senior management. The reports are required to include our operational risk profile, operational risk incidents and relevant data analysis, trends and early warning analysis, remediation measures, steps for future improvements. Significant operational risk incidents should be promptly reported to the senior management or, pursuant to applicable regulatory requirements, to the regulatory authorities by relevant sub-branches, business and functional departments.

We seek to further improve our operational risk management through:

- strictly separating responsibilities of the front, middle and back offices, and improving business processes and risk management procedures;
- issuing operational risk alerts to the business departments upon our identification of risk alerts, and improving and supplementing risk control measures;
- employing operational risk control self-assessment ("RCSA") and other advanced risk management tools to identify and evaluate the adequacy and effectiveness of our operational risk management;
- thoroughly identifying and assessing relevant operational risks, and determining key risk control measures before launching new products or business processes;
- setting a set of key operational risk indicators for various business lines based on the nature of our business and products to assist us on dynamic and continuous monitoring of operational risks, and development of control and mitigating measures;
- establishing and gradually improving internal control, compliance and operational risk management information system; and
- strengthening the third line of defense for operational risk by continuously strengthening internal audit procedures.

INFORMATION TECHNOLOGY SYSTEMS FOR RISK MANAGEMENT

We seek to improve our risk management capabilities through advanced information technology systems. We have upgraded and integrated our information technology systems to strengthen our collection and analysis of customer information and data. Our information technology systems have enabled us to set internal ratings and manage risk exposure to corporate customers, providing us with technology support for strengthened credit risk management. Our corporate credit risk rating system, incorporating risk measurement models, provides a risk data analysis platform, which generates credit rating results for corporate customers, to provide a basis for risk management decisions and improves credit risk management efficiency. We use ComStar management system to measure, set, and monitor and send alerts on risk limits concerning our treasury business with respect to various counterparties and businesses, and this management system enables us to monitor credit risks relating to certain industries and customers. With respect to market risks, we use ComStar management system to strengthen our monitoring and with management of risk limits in our treasury business. With respect to operational risks, we seek to identify all the relevant risks and have started to build up an internal control, compliance and operational risk management system (GRC system). Expected to be launched by the end of 2015, the GRC system consists of eight functional modules, namely, system and process management, legal affairs, inspections and issue management, compliance management, prevention and control of risk incidents, off-site monitoring, operational risk management and preparation of statistics and financial statements.

We will continue to improve the functionality of our existing information technology systems and speed up on the development of new systems to meet the changing requirements for credit risk management.

INFORMATION TECHNOLOGY RISK MANAGEMENT

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of our use of information technology. Our objectives for information technology risk management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous and stable environment. We seek to operate our business in a safe and robust information technology environment and use advanced information technologies to drive business innovation. The Information Technology Management Committee under our senior management is responsible for coordinating on the performance of various responsibilities of information technology management, to ensure the allocation of adequate human and financial resources, and maintaining a stable and secure information technology environment. The information technology department is responsible for the implementation of information technology risk management policies and procedures.

Under the leadership of our Board of Directors and senior management, we have established a tiered information technology risk management framework based on the “three lines of defense”, namely, the business, risk management and audit. In addition, we seek to establish effective infrastructures to identify, monitor and control information technology risk and promote the safe, continuous and stable operation of our information technology systems and to improve our sustainable development capabilities.

We establish a comprehensive information technology risk management system through the development, operation and maintenance of information system, management of information security and business continuity. In respect of the operation and maintenance management of our information technology systems, we seek to improve the stability and availability of our information technology systems by improving its structure and our preventive maintenance. In respect of information security, we seek to build up an information security control mechanism and technology protection methodologies through establishing effective processes for management of users authentication and access control, rigorously implementing standard operation processes, managing transaction and activity logs and employing encryption techniques. In respect of business continuity, we have built an application disaster recovery center in Zhengzhou and a disaster recovery data center in Dongguan to ensure business continuity and reliability.

REPUTATIONAL RISK MANAGEMENT

Reputational risk refers to the risk of negative publicity and comments on our operations, management and other activities or external events. Our objectives for reputational risk management are to identify, monitor, control and eliminate reputational risk by establishing a positive, reasonable and effective mechanism of reputational risk management to build and maintain our good corporate image and support our sustainable development.

We have established a tiered organizational framework for reputational risk management. Our Board of Directors bears the ultimate responsibility for reputation risk management. Our senior management is responsible for our reputational risk management. We have set up a Reputational Risk Management Committee under our senior management to ensure the normal and effective operation of reputational risk management system. The general office at the head office takes the lead in managing our reputation risk and is responsible for the day-to-day management of reputational risk.

We manage our reputation risk through:

- conducting regular reputational risk inspections and analyzing the circumstances and publicity channels of our reputational risk and reputational risk incidents;

- developing reputational risk emergency plans and mechanisms, to respond to reputational risk incidents, conducting scenario analysis and conducting drills for potential reputational risk incidents of various types;

- appropriately handling customer complaints, implementing supervision and evaluations on the maintenance of customer relations, performance of notice obligations, and solution of customers' issues, protection of customers' legitimate rights and interests, and improvement in customer satisfaction; establishing an effective complaint mechanism; and maintaining good communications and relations with investors;

- implementing centralized management of press releases and journalistic media relations and establishing an information disclosure management system to ensure timely dissemination of accurate information to the public, and facilitating necessary press coverage;

- obtaining and analyzing current information on public comments, and clarifying false or incomplete information without delay; and

- reviewing our bank-wide reputational risk management through the general office of our head office on a semi-annual basis, and disseminating to the risk management department.

COMPLIANCE RISK MANAGEMENT

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with laws, regulations and rules. The objectives of our compliance risk management are to effectively identify, evaluate, prevent and remediate compliance risk by establishing a sound mechanism of compliance risk management, thereby to build up a comprehensive risk management mechanism to ensure our compliance with laws and regulations.

The Board of Directors bears ultimate responsibility for our compliance with applicable laws and regulations in our operational and management activities. Our senior management is responsible for management of our compliance work relating to operational and management activities. The compliance department at the head office is responsible for assisting the senior management to effectively identify and manage compliance risks. The compliance department conducts regular compliance testing on the operational and management activities of various branches and sub-branches, conducts compliance review on our policies and procedures, new products and business, and reports major compliance risks to our senior management in a timely manner. Our compliance department provides compliance advice to all business departments and disseminates compliance alerts and reminders to employees to raise their awareness of compliance risk.

To strengthen our compliance risk management, we have formulated a series of updated policies and procedures covering compliance risk management, fraud-prevention management, supervision and inspection on business lines, compliance testing, internal audits, authorization management in credit business, compliant handling and staff training.

Anti-money Laundering

We have established a bank-wide organizational structure for anti-money laundering and developed internal control systems and standard operation procedures in accordance with the PRC Anti-money Laundering Law and other applicable rules and regulations promulgated by PBoC. Our Board of Directors is responsible for decision-making on and solution of significant or sensitive matters relating to anti-money laundering. We have established an Anti-money Laundering Task Force under our senior management, responsible for the implementation of internal control system and standard operation procedures for anti-money laundering. The operations management department is responsible for formulating internal control system and standard operation procedures for anti-money laundering, and coordinating various business and functional departments, branches and sub-branches to execute such systems and procedures.

In accordance with the PRC Anti-money Laundering Law and other applicable rules and regulations promulgated by PBoC, we have formulated and implemented internal control systems and standard operation procedures concerning customer due diligence and identification, sanctions screening and transaction record retention, suspected terrorist financing monitoring, and large and suspicious transaction reporting. We seek to continue to improve our anti-money laundering capabilities through reinforcing the "know-your-customer" and customer risk assessment procedures, stepping up risk monitoring and early alert activities, and enhancing the functionality of anti-money laundering information system.

INTERNAL AUDIT

We value the importance of internal audit, as it is essential to our stable operation and sustainable development. The objectives of our internal audit are to monitor the implementation of applicable laws and regulations and our internal policies and procedures, to control our risk exposure at an acceptable level and to improve our business operations.

We have implemented an independent and vertical organizational system for internal audit. We set up an Audit Committee under the Board of Directors to organize and guide our internal audit work within the authorization by the Board of Directors. The internal audit office reports to our Board of Directors and the Audit Committee. The head of the internal audit office is appointed or removed by our Board of Directors. The internal audit office regularly reports to the Board of Directors, the Audit Committee and the Board of Supervisors, submits reports on audit projects in a timely manner and informs the senior management.

As the execution department of our internal audit work, the internal audit office is responsible for auditing the compliance of our operations and management, the soundness and effectiveness of our internal control, our risk profile, strategic planning, development, operation, management and maintenance of our information systems, the accuracy and reliability of accounting records and financial statements, and the key personnel’s performance of their duties, in accordance with our policies and procedures governing internal audit.

CONNECTED TRANSACTIONS

Upon Listing, the transactions we have entered into with our connected persons (as defined in the Listing Rules) will constitute connected transactions for us under Chapter 14A of the Listing Rules. Such transactions will continue following the Listing Date, thereby constituting continuing connected transactions under the Listing Rules.

Exempt Continuing Connected Transactions

We are a commercial bank incorporated in the PRC and regulated by CBRC and PBoC. We provide commercial banking services and products in our ordinary and usual course of business to members of the public in the PRC, which include our connected persons (including certain Directors, Supervisors, president and/or their respective associates). Set forth below are details of various continuing connected transactions between our connected persons (including certain Directors, Supervisors, president and/or their respective associates) and us. These transactions are entered into on normal commercial terms (or commercial terms that are better to us) in the ordinary and usual course of our business, and thus are fully exempt from all 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 — 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 our Directors, Supervisors, president and/or their respective associates on normal commercial terms (or commercial terms that are better to us) with reference to prevailing market rates. We expect that we will continue to provide loans and credit facilities to our connected persons following the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The above loans and credit facilities provided by us to our connected persons are in the ordinary and usual course of our business and on normal commercial terms (or commercial terms that are better to us) with reference to prevailing market rates. Therefore, these transactions will be fully exempt continuing connected transactions under Rule 14A.87(1) of the Listing Rules, namely financial assistance provided by us in our ordinary and usual course of business to a connected person on normal commercial terms (or commercial terms that are better to us), and thus will be fully exempt from all 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 our Directors, Supervisors, president and/or their respective associates at normal interest rates and on normal commercial terms (or commercial terms that are better to us). We expect that our 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.

The deposits placed by our connected persons are on normal commercial terms (or commercial terms that are better to us) with reference to prevailing market rates. Therefore, these transactions will be fully exempt continuing connected transactions under Rule 14A.90 of the Listing Rules, namely financial assistance received by us from a connected person in the form of deposits placed with a listed issuer on normal commercial terms (or commercial terms that are better to the listed issuer) and not secured by the assets of the listed issuer's group, and thus will be fully exempt from all 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 credit/debit cards and wealth management products) to certain of our connected persons including our Directors, Supervisors, president and/or their respective associates at normal prescription fees, service fees and charges in the ordinary and usual course of our business and on normal commercial terms and conditions (or commercial terms that are better to us). We expect that we will continue to provide such banking products and services to our connected persons following the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

These continuing connected transactions are the provision of other 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 favourable than those offered to independent third parties and are expected to fall within the *de minimis* transactions under Chapter 14A of the Listing Rules. As a result, these transactions will constitute fully exempt continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules, and thus will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS

Our incumbent Board comprises 15 Directors, including three executive Directors, seven non-executive Directors and five independent non-executive Directors. Our Directors are elected for a term of three years and can be re-elected, provided that the cumulative term of an independent non-executive Director shall not exceed six years in accordance with the relevant PRC laws and regulations. The following table sets forth certain information regarding our Directors.

Name	Age	Date of Joining the Bank	Date of Appointment as a Director	Position[1]	Responsibilities
Mr. WANG Tianyu (王天宇)	49	August 1996	December 2005	Chairman, Executive Director	Being responsible for the overall operations and strategic management of the Bank, performing his duty as a Director through the Board, and being responsible for the strategic development committee
Mr. SHEN Xueqing (申學清)	50	December 2011	February 2012	President, Executive Director	Being responsible for the daily operations and management of the Bank, and performing his duty as a Director through the Board and the strategic development committee
Mr. ZHANG Rongshun (張榮順)	56	August 1996	August 1996	Vice chairman, Executive Director	Being responsible for the operations of the internal audit office of the Board, performing his duty as a Director through the Board and the strategic development committee

1 The Bank has started to designate its Directors as executive Directors or non-executive Directors since February 2012.

Name	Age	Date of Joining the Bank	Date of Appointment as a Director	Position[1]	Responsibilities
Mr. XU Jianxin (徐建新)	61	February 2012	February 2012	Vice chairman, Non-executive Director	Performing his duty as a Director through the Board and the strategic development committee
Mr. FAN Yutao (樊玉濤)	49	June 2015	June 2015	Non-executive Director	Performing his duty as a Director through the Board and the nomination committee
Mr. ZHANG Jingguo (張敬國)	52	February 2012	February 2012	Non-executive Director	Performing his duty as a Director through the Board and the remuneration and assessment committee
Mr. LIANG Songwei (梁嵩巍)	47	February 2012	February 2012	Non-executive Director	Performing his duty as a Director through the Board and the risk management committee
Mr. MA Jinwei (馬金偉)	39	June 2015	June 2015	Non-executive Director	Performing his duty as a Director through the Board and the related party transactions control committee
Mr. JI Hongjun (姬宏俊)	52	February 2012	February 2012	Non-executive Director	Performing his duty as a Director through the Board and the audit committee
Mr. MA Lei (馬磊)	46	February 2012	February 2012	Non-executive Director	Performing his duty as a Director through the Board and the risk management committee

1 The Bank has started to designate its Directors as executive Directors or non-executive Directors since February 2012.

Name	Age	Date of Joining the Bank	Date of Appointment as a Director	Position[1]	Responsibilities
Mr. WANG Shihao (王世豪)	65	February 2012	February 2012	Independent non-executive Director	Performing his duty as a Director through the Board and the remuneration and assessment committee, and being responsible for the risk management committee
Mr. LI Huaizhen (李懷珍)	58	June 2015	June 2015	Independent non-executive Director	Performing his duty as a Director through the Board, and being responsible for the remuneration and assessment committee
Mr. XIE Taifeng (謝太峰)	57	June 2015	June 2015	Independent non-executive Director	Performing his duty as a Director through the Board and the related party transactions control committee, and being responsible for the audit committee
Mr. WU Ge (吳革).........................	48	June 2015	June 2015	Independent non-executive Director	Performing his duty as a Director through the Board and the nomination committee, and being responsible for the related party transactions control committee
Ms. CHAN Mei Bo Mabel (陳美寶)...........	44	June 2015	June 2015	Independent non-executive Director	Performing her duty as a Director through the Board and the audit committee, and being responsible for the nomination committee

[1] The Bank has started to designate its Directors as executive Directors or non-executive Directors since February 2012.

EXECUTIVE DIRECTORS

Mr. WANG Tianyu, aged 49, was appointed as an executive Director of the Bank in February 2012 and appointed as the chairman of the Bank in March 2011, being primarily responsible for the overall operations and strategic management of the Bank. In addition, Mr. WANG served as the president of the Bank from September 2005 to December 2011 and has served as the chairman of Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司) ("Zhongmu County Bank") since May 2012.

Mr. WANG has over 22 years of experience in banking business operations and management. He joined the Bank in August 1996 and had successively served as the president of Jingwu Road sub-branch and the vice president of the Bank from August 1996 to September 2005. Prior to that, Mr. WANG had served as the deputy director of Henan Province Yugong Urban Credit Cooperatives (河南省豫工城市信用社) from May 1993 to May 1996.

Mr. WANG graduated from Henen Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1988, majoring in public finance, and obtained a bachelor's degree in economics. He obtained a master's degree in business administration from National University of Singapore (Singapore) in June 2006 and an executive master's degree in business administration from Tsinghua University (Beijing, China) in January 2015. He has been attending a program of advanced economics course for further studies (高級經濟學課程進修班) at School of Economics of Huazhong University of Science and Technology (Hubei, China) since July 2015. He has been a senior accountant accredited by the People's Government of Henan Province since December 1998. In addition, Mr. WANG has been a member of the 12th Congress of the People's Congress of Henan Province (第十二屆河南省人民代表大會) since January 2013 and was awarded the title of "National Model Worker" (全國勞動模範) in April 2015.

Mr. SHEN Xueqing, aged 50, was appointed as an executive Director of the Bank in February 2012 and appointed as the president of the Bank in December 2011. He is primarily responsible for the daily operations and management of the Bank.

Mr. SHEN has over 19 years of experience in banking business operations and management. He joined the Bank in December 2011. Prior to joining the Bank, he held a number of positions in Guangdong Development Bank Co., Ltd. (廣東發展銀行股份有限公司) (currently known as China Guangfa Bank Co., Ltd., 廣發銀行股份有限公司) from June 1996 to November 2011. He had served successively as the deputy manager and the manager of general office, the director of operations department and the assistant to sub-branch president of Huayuan Road sub-branch, Zhengzhou branch from June 1996 to October 2000, the assistant to sub-branch president, the vice president and the president of Dongming Road sub-branch, Zhengzhou branch from October 2000 to July 2004, the general manager of No.3 corporate banking department and the general manager of general office of Zhengzhou branch from July 2004 to April 2006, the president of Anyang sub-branch from April 2006 to September 2009, and the vice president of Changsha branch from October 2009 to November 2011. Prior to that, he had worked in Financial and Trade Commission of Pingdingshan City, Henan Province (河南省平頂山市財政貿易委員會) from July 1990 to June 1996 and had served as the deputy chief of information investigation section since May 1995.

Mr. SHEN graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1990, majoring in public finance, and obtained a bachelor's degree in economics. He obtained an executive master's degree in business administration degree from Xi'an Jiaotong University (Shaanxi, China) in December 2008, and an executive master's degree in business administration from Tsinghua University (Beijing, China) in July 2015. He has been a senior economist accredited by the People's Government of Henan Province since December 2005.

Mr. ZHANG Rongshun, aged 56, was appointed as an executive Director of the Bank in February 2012 and appointed as a vice chairman of the Bank in August 1996. He is primarily responsible for the operations of the internal audit office of the Board. In addition, Mr. ZHANG had served as the president of the Bank from August 1996 to August 1998.

Mr. ZHANG has approximately 34 years of experience in banking business operations and management. He joined the Bank in August 1996. Prior to joining the Bank, he had served successively as the deputy director and the director of Zhengzhou City Credit Cooperatives (鄭州市城市信用合作社聯合社) from June 1989 to August 1996, the chief of savings section of the railway office, the deputy director of the general office and the deputy chief of financial management section of PBoC Zhengzhou office from December 1979 to September 1985 and from June 1987 to June 1989.

Mr. ZHANG graduated from Zhengzhou University (Henan, China) in June 1987, majoring in finance. He graduated from Henan University (Henan, China) in December 1995, majoring in finance and investment and graduated from Beijing Institute of Technology (Beijing, China) in August 1998, majoring in business administration, and obtained a master's degree in business administration. He has been a senior economist accredited by the People's Government of Henan Province since March 1997.

Mr. ZHANG acted as the executive director and the legal representative of Zhengzhou Huayu Tianyuan Investment Management Co., Ltd. (鄭州華禹天源投資管理有限公司) from June 27, 2002 to December 31, 2011. Such company was established in China, and had not carried out any business activities and had been in the state of non-business operation since 2010. All the staff members had been transferred to other posts or had resigned. It failed to participate in 2010 annual inspection pursuant to the relevant PRC requirements, and as such, its business license was revoked by the competent company registration authority on December 31, 2011. Mr. ZHANG confirmed that the competent company registration authority has not imposed any administrative penalty on Mr. ZHANG personally and he has not assumed any contigent liabilities nor has he been subject to any relevant claims as a result of the revocation of the business license of the aforesaid company.

NON-EXECUTIVE DIRECTORS

Mr. XU Jianxin, aged 61, was appointed as a non-executive Director and a vice chairman of the Bank in February 2012.

Mr. XU has served as the chairman and the general manager of Yutai International Co., Ltd. (豫泰國際有限公司) and the chief representative of China Henan representative office in Thailand since May 1996. He has concurrently served as the chairman of Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) since July 1996. Prior to that, he had served as the on-duty deputy general manager of Yugang Enterprise Co., Ltd. (豫港企業有限公司)

from July 1992 to May 1996, the general manager of Henan Province Light Industry Economic Technology Import and Export Co., Ltd. (河南省輕工經濟技術進出口公司) from March 1986 to July 1992, the deputy manager of Henan Province Plastic Industry Co., Ltd. (河南省塑料工業公司) from January 1985 to March 1986 and the technician and the assistant engineer of the aforesaid company from May 1979 to October 1983, and the deputy manager of Henan Province Art & Crafts Industry Co., Ltd. (河南省工藝美術工業公司) from October 1983 to January 1985.

Mr. XU graduated from Zhengzhou University (Henan, China) in April 1979, majoring in polymer. He graduated from Capital University of Economics and Business (Beijing, China) in August 1999, majoring in enterprise management, and obtained a master's degree in management. He has been a senior economist accredited by the People's Government of Henan Province since December 1999.

Mr. XU has served as the non-executive director of Zhongmu County Bank since January 2014. Zhongmu County Bank, being a county bank, provides banking services mainly in Zhongmu area in Henan Province to local customers, with a business focus on providing finance to the agricultural industry, rural area and farmers. Zhongmu County Bank only has 14 sub-branches as of June 30, 2015, all located within the Zhongmu area in Henan Province, while our Bank is a city commercial bank providing banking services with a business focus on the commerce and logistics industries and had 107 branches and sub-branches as of the same date, located in seven cities in Henan Province. The Bank has two sub-branches in the Zhongmu area. Moreover, the total assets of Zhongmu County Bank represent only approximately 3.17% of the total assets of the Bank as of June 30, 2015. Although Zhongmu County Bank and the Bank provide similar deposit-taking and loan-granting banking services, their potential competition in business is very limited in terms of geographic coverage and business focus. After considering the vast difference in total assets between the two banks, we do not consider Zhongmu County Bank as our competitor. On the basis that (i) Mr. XU, as a non-executive director of Zhongmu County Bank, does not participate in the daily operation and management of Zhongmu County Bank, (ii) Zhongmu County Bank has a management team independent of the Bank, and (iii) Mr. XU is the non-executive Director and does not participate in the day-to-day management, we and the Directors consider that the roles of Mr. XU acting as the non-executive director of Zhongmu County Bank and our non-executive Director at the same time do not have an impact on the business operation of the Bank. In addition, if a Director or any of his close associates has a material interest in the matter proposed to be resolved at the Board meetings, he shall not exercise his voting rights on such resolution, in accordance with the relevant requirements of the Articles of Association, the rules of procedure of the Board meetings of the Bank and Corporate Governance Guidelines.

Mr. FAN Yutao, aged 49, was appointed as a non-executive Director of the Bank in June 2015.

Mr. FAN has served as the chief economist of Zhengzhou Finance Bureau since July 2009. Prior to that, Mr. FAN had served as the staff member of budget section of Zhengzhou Finance Bureau from July 1988 to June 1994, the deputy chief of budget section of Zhengzhou Finance Bureau from June 1994 to April 2002, the chief of budget section of Zhengzhou Finance Bureau from April 2002 to April 2006 and the chief of treasury section of Zhengzhou Finance Bureau from April 2006 to July 2009.

Mr. FAN graduated from Information Engineering College of the People's Liberation Army of the PRC (中國人民解放軍信息工程學院) (Henan, China) in July 1988, majoring in computer science and engineering, and obtained a bachelor's degree in engineering. He also obtained a completion certificate in accounting from Graduate School of Institute of Public Finance Science of the Ministry of Finance (財政部財政科學研究所研究生部) (Beijing, China) in July 2001.

Mr. ZHANG Jingguo, aged 52, was appointed as a non-executive Director of the Bank in February 2012.

Mr. ZHANG has served as the chairman and the chief executive officer of Henan Zensun Property Co., Ltd. (河南正商置業有限公司) since January 2001. He has served as the chairman, the executive director and the chief executive director of ZH International Holdings Ltd. (formerly known as Heng Fai Enterprises Limited, listed on the Hong Kong Stock Exchange, stock code: 00185) since July 2015. Prior to that, he had served as the general manager of Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) from April 1995 to April 2001.

Mr. ZHANG graduated from the Zhengzhou University (Henan, China) in June 1983, majoring in wireless communication, and obtained a bachelor's degree in science. He also obtained a completion certificate in international trade from Renmin University of China (Beijing, China) in July 2001 and obtained an executive master's degree in business administration from Peking University (Beijing, China) in July 2013. He has been a senior engineer accredited by the People's Government of Henan Province since August 1997.

Mr. LIANG Songwei, aged 47, was appointed as a non-executive Director of the Bank in February 2012.

Mr. LIANG has served as the general manager of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) since November 2008 and the director of the aforesaid company since December 2009, and the assistant to the general manager of Zhengzhou Baiwen Co., Ltd. (Group) (鄭州百文股份有限公司(集團)) since November 2001. Prior to that, he had served as the director and the deputy general manager of Zhengzhou Baiwen Group Co., Ltd. (鄭州百文集團有限公司) from August 2006 to October 2008.

Mr. LIANG graduated from Graduate School of Chinese Academy of Social Sciences (Beijing, China) in December 1998, majoring in literature and art. He graduated from University of International Business and Economics (Beijing, China) in June 2005, majoring in interational trade.

Mr. MA Jinwei, aged 39, was appointed as a non-executive Director of the Bank in June 2015.

Mr. MA has served as the general manager of Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司) since May 2014. Prior to that, he had successively served as the chief accountant of financial department, the deputy manager of financial department, the group financial manager, the financial director, the deputy general manager and the director of Henan Yinji Real Estate Development Co., Ltd. (河南銀基房地產開發有限公司) from October 2004 to May 2014.

Mr. MA graduated from Northeastern University (Liaoning, China) in June 2011, majoring in project management. He has been an intermediate level accountant accredited by the Ministry of Finance of the PRC since May 2002.

Mr. JI Hongjun, aged 52, was appointed as a non-executive Director of the Bank in February 2012.

Mr. JI has successively served as the duputy general manager and the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司) since December 2003, and the director of Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) since December 2008. Prior to that, he had served as the deputy chief of finance department of Henan Province Development and Planning Commission (河南省發展計劃委員會) from August 2000 to September 2003 (serving as the deputy chief of No. 1 credit loan section of Henan Branch of China Development Bank (國家開發銀行河南省分行) from September 2002 to September 2003), the deputy chief of fixed asset investment department of Henan Province Planning Commission (河南省計劃委員會) from February 1999 to August 2000, the deputy chief of senior officer department of Henan Province Planning Commission from April 1997 to February 1999, the principal staff member of foreign economy department of Henan Province Planning Economy Commission (河南省計劃經濟委員會) and Henan Province Planning Commission from April 1993 to April 1997, the deputy chief staff member of foreign economy department of Henan Province Planning Economy Commission from August 1991 to April 1993, the staff member of foreign economy department of Henan Province Planning Economy Commission from January 1989 to August 1991, the clerk of the finance department of Henan Province Planning Economy Commission from September 1987 to January 1989, and the staff of the finance and trade department of Henan Province Planning Economy Commission and finance department of Henan Province Planning Economy Commission from July 1984 to September 1987.

Mr. JI graduated from School of Communist Party of China Henan Province Committee (中共河南省委黨校) (Henan, China) in July 1994, majoring in economics (part-time courses). He obtained a completion certificate of a program of post-graduate course for further studies in finance (金融學專業研究生課程進修班) from Business School of Wuhan University (Hubei, China) in June 2004 and a master's degree in business administration from the Asia International Open University (Macau) (Macau, China) in November 2010. He has been a financial planner accredited by Beijing Finance Training Centre (北京金融培訓中心) since October 2007.

Mr. JI has served as the non-executive director of Bank of China Travel Services Co., Ltd. Jiaozuo (焦作中旅銀行股份有限公司) (formerly known as Jiaozuo City Commercial Bank Co., Ltd., "Bank of CTS Jiaozuo") since November 2012. Bank of CTS Jiaozuo is a financial institution providing banking services mainly in Jiaozuo city in Henan Province to local customers, with a business focus on providing finance to the tourism industry. Bank of CTS Jiaozuo only had 27 sub-branches as of June 30, 2015, all located within Jiaozuo city in Henan Province while our Bank provides banking services with a business focus on the commerce and logistics industries and had 107 branches and sub-branches as of the same date, located in seven cities in Henan Province. The Bank has not established any branch in Jiaozuo city. Although Bank of CTS Jiaozuo and our Bank provide similar deposit-taking and loan-granting banking services, the potential competition in business is very limited in terms of geographic coverage and business focus. On the basis that (i) Mr. JI, as a non-executive director of Bank of CTS Jiaozuo, does not participate in the daily operation and management of Bank of CTS Jiaozuo, (ii) Bank of CTS Jiaozuo has a management team independent of the Bank, and (iii) Mr. JI is the non-executive Director and does not participate in the day-to-day management, we and the Directors consider that the roles of Mr. JI acting as the non-executive director of Bank of CTS Jiaozuo and our non-executive Director at the same time do not have an impact on the business operation of the Bank. In addition, if a Director or any of his close associates has a material interest in the matter proposed to be resolved at the Board meetings, he shall not exercise his voting rights on such resolution, in accordance with the relevant requirements of the Articles of Association, the rules of procedure of the Board meetings of the Bank and Corporate Governance Guidelines.

Mr. MA Lei, aged 46, was appointed as a non-executive Director of the Bank in February 2012.

Mr. MA had served as the executive president, the president and the assistant to chairman of Bridge Trust Investment Company Limited (百瑞信託投資有限責任公司) from September 2005 to September 2015, the manager of operation department, the manager of planning and finance department, the assistant to general manager and the manager of planning and finance department, the deputy general manager and the vice president of Zhengzhou Trust Investment Company (鄭州信託投資公司) from October 1992 to September 2005. He had been responsible for credit management at the credit department of Zhengzhou Financial Development Co., Ltd. (鄭州財務開發公司) from September 1989 to October 1992.

Mr. MA graduated from the Zhengzhou University (Henan, China) in July 1989, majoring in industrial economic management. He graduated from Correspondence Education College of Central School of Communist Party of China (中共中央黨校函授學院) (Beijing, China) in December 1999, majoring in economic management (correspondence education). He obtained a master's degree in business administration from Macau University of Science and Technology (Macau, China) in September 2003. He has been a senior economist accredited by the People's Government of Henan Province since July 2004 and a certified senior consultant accredited by Henan Province Technology Consulting Industry Association (河南省科技諮詢業協會) since August 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Shihao, aged 65, was appointed as an independent non-executive Director of the Bank in February 2012. He was appointed as the director-general of Funds Clearing Center for City Commercial Banks (城市商業銀行資金清算中心) in September 2002 and had served as the legal representative of Funds Clearing Centre for City Commercial Banks from July 2002 to August 2013. He has served as the independent non-executive director of Huishang Bank Corporation Limited (listed on Hong Kong Stock Exchange, stock code: 3698) since October 2011, the independent director of Greenland Holding Co., Ltd. (formerly known as Shanghai Jinfeng Investment Holding Co., Ltd., listed on Shanghai Stock Exchange, stock code: 600606) from May 2012 to August 2015. Prior to that, he had served as the vice president of Shanghai City Cooperation Commercial Bank (上海城市合作商業銀行) (currently known as Bank of Shanghai) from December 1995 to May 2010, the director of Shanghai City Credit Cooperatives (上海市城市信用合作社聯社) from February 1991 to December 1995. In addition, he had been appointed as the special expert for decision consulting of the Shanghai People's Government (上海市人民政府決策咨詢特聘專家) from March 2008 to February 2010 and from December 2010 to November 2012. He had served as the part-time professor of Shanghai National Accounting Institute since July 2010, the part-time professor of Overseas Education College of Shanghai Jiao Tong University since January 2011, the visiting professor (2012-2014) of School of Economics of Fudan University from June 2012 to December 2014 and the part-time professor of the College of Business of Shanghai University of Finance and Economics since May 2013.

Mr. WANG graduated from Fudan University (Shanghai, China) in July 1984, majoring in financial management. He completed a joint program of executive master's of business administration organised by Shanghai National Accounting Institute (Shanghai, China) and Arizona State University (US) in June 2005, and obtained a master's degree in business administration from Arizona State University (US). He has been a senior economist accredited by PBoC since July 1993.

Mr. LI Huaizhen, aged 58, was appointed as an independent non-executive Director of the Bank in June 2015. He has served as the president of China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) since July 2014, and the director of CM International Capital Limited (中民國際資本有限公司) since November 2014. Prior to that, he had served as the vice chairman of the board of supervisions of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) from April 2012 to June 2014. He had successively served in CBRC as a member of preparatory team of Shandong office, the vice director of Shandong office, the director of Hubei office, and the director of financial accounting department from July 2003 to 2012, the vice president of PBoC Jinan office and the deputy director of SAFE Jinan office from November 1998 to September 2003, the vice president of PBoC Henan office and the deputy director of SAFE Henan office from January 1997 to November 1998. He had successively served in PBoC as the staff member of Zhoukou region branch planning section, the deputy director and the director of Zhoukou region branch office, the vice president of Luohe branch, and the president of Zhengzhou branch from September 1983 to January 1997, and the staff member of PBoC Zhoukou region branch statistics section from March 1980 to September 1981.

Mr. LI graduated from Henan Banking School (河南銀行學校) (Henan, China) in March 1980 and graduated from Zhengzhou University (Henan, China) in September 1983, majoring in finance and obtained a master's degree in economics from Dongbei University of Finance and Economics (Liaoning, China) in December 1997. He has been a senior economist accredited by PBoC since February 1996.

Mr. XIE Taifeng, aged 57, was appointed as an independent non-executive Director of the Bank in June 2015. He has served as the independent director of Woori Bank (China) Limited (友利銀行(中國)有限公司) since September 2013 and the professor of School of Finance of Capital Univeristy of Economics and Business since July 2005. Prior to that, he had served as the independent director of China Haohua Chemical Group Co., Ltd. (中國昊華化工集團股份有限公司) from March 2013 to June 2015, the deputy dean, and the dean and PhD supervisor of School of Finance of Capital University of Economics and Business from January 2006 to March 2015. He had served as the professor of Business Administration Branch School of Beijing Machinery Industry Institute (北京機械工業學院) from July 2000 to July 2005, and the teaching assistant of Economics Department, the lecturer of Economics Department, the associate professor of Business School, the dean of Finance Department, the deputy dean of Business School, the professor and the deputy dean of Business School of Zhengzhou University from January 1982 to July 2000.

Mr. XIE graduated from Zhengzhou University (Henan, China) in December 1981, majoring in politics and economics, and obtained a bachelor's degree in economics. He graduated from the Southwestern University of Finance and Economics (Sichuan, China) in July 1986, majoring in monetary banking, and obtained a master's degree in economics in January 1989. He obtained a doctoral degree in economics from Southwestern University of Finance and Economics (Sichuan, China) in January 2000. He has been a professor accredited by the People's Government of Henan Province since May 1996.

Mr. WU Ge, aged 48, was appointed as an independent non-executive Director of the Bank in June 2015. He has served as the director and the legal representiative of Beijing Zhongwen Law Firm (北京市中聞律師事務所) since November 2013. In addition, he has served as a part-time researcher of human rights education and research centre of the Southwestern University of Politics and Law, being the national base of human rights education and training, since April 2015. He has been a member of the 11th Henan Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆河南省委員會) since January 2013, the director of the third and the fourth sessions of Chinese Overseas Friendship Association (中華海外聯系會) since September 2008. He has served as the tutor of juris master of Central University of Finance and Economics since December 2005, the part-time researcher of the Institute of Criminal Law Science of Beijing Normal University since August 2006, and the part-time professor of Law School of China University of Political Science and Law from May 2007 to May 2010. He was awarded the outstanding joint tutor of juris master of Law School of Tsinghua University (清華大學法學院優秀法律碩士聯合導師) in March 2007.

Mr. WU graduated from Renmin University of China (Beijing, China) in January 2000, majoring in juris master, and obtained a master's degree in law. He obtained a completion certificate of post-graduate course in finance from School of Economics of Peking University (Beijing, China) in December 2002.

Ms. CHAN Mei Bo Mabel, aged 44, was appointed as an independent non-executive Director of the Bank in June 2015. She established Mabel Chan & Co. (陳美寶會計師事務所) (an accounting firm, formerly known as Mabel M.B. Chan Certified Public Accountant) in February 1999. She had served as the independent non-executive director of Code Agriculture (Holdings) Limited (formerly known as China Chief Cable TV Group Limited, listed on Hong Kong Stock Exchange, stock code: 08153) from October 2009 to April 2012, the independent non-executive director of Hong Kong Education (Int'l) Investments Ltd. (formerly known as Modern Education Group Limited, listed on Hong Kong Stock Exchange, stock code: 01082) from July 2011 to September 2012, the independent non-executive director of Kingmaker Footwear Holdings Ltd. (listed on Hong Kong Stock Exchange, stock code: 01170) since August 2011, the independent non-executive director of China Weaving Materials Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 03778) from December 2011 to December 2014, and the independent non-executive director of South China Land Limited (listed on Hong Kong Stock Exchange, stock code: 08155) since May 2013. She has served as the council member of Association of Women Accountants HK Ltd. (香港女會計師協會) since January 2006, vice president of the Society of Chinese Accountants and Auditors (香港華人會計師公會) from December 2008 to December 2009 and president of the aforesaid society from December 2009 to December 2010, member of Barristers Disciplinary Tribunal Panel of Hong Kong (香港大律師紀律審裁團) since May 2010, member of the Financial Reporting Review Panel of

Financial Services and the Treasury Bureau of Hong Kong (香港財經事務及庫務局財務滙報檢討委員團) from July 2010 to July 2015, member of the Vetting Committee of CreateSmart Initiative appointed by the Secretary for Commerce and Economic Development of Hong Kong (香港商務及經濟發展局局長委任的創意智優計劃審核委員會) form August 2011 to July 2013 and since August 2015, member of Council of Hong Kong Baptist University since January 2013, member of the Appeal Panel (Housing) of Hong Kong (香港上訴委員會(房屋)) since April 2014.

Ms. CHAN obtained a master's degree in business administration from Hong Kong University of Science and Technology (Hong Kong) in November 2000. She has been a member of the Chartered Association of Certified Accountants (英國特許公認會計師公會) since November 1996, a certified public accountant accredited by Hong Kong Institute of Certified Public Accountants (香港會計師公會) and a member of Hong Kong Society of Accountants (香港會計師公會) since January 1997, a member of the Society of Chinese Accountants & Auditors (香港華人會計師公會) since December 2002, and a member of the Institute of Chartered Accountants in England and Wales (英格蘭和威爾斯特許會計師公會) from February 2008.

SUPERVISORS

The PRC Company Law stipulates that a joint stock company must set up a board of supervisors being responsible for supervising the acts of the board of directors and the senior management and monitoring the financial affairs. The Board of Supervisors of the Bank comprises nine Supervisors, including three shareholder Supervisors, three external Supervisors and three employee Supervisors. Our Supervisors are elected for a term of three years and can be re-elected, and the cumulative term of an external Supervisor shall not exceed six years. The following table sets forth certain information about our Supervisors.

Name	Age	Date of joining the Bank	Date of appointment as a Supervisor	Position	Responsibilities
Mr. FAN Dalu (范大路)	51	April 2003	November 2011	Chairman of the Board of Supervisors, shareholder Supervisor	Supervising the Board and the senior management
Mr. ZHU Zhihui (朱志暉)	46	February 2012	June 2015	Shareholder Supervisor	Supervising the Board and the senior management
Ms. MENG Jun (孟君) ..	44	February 2012	February 2012	Shareholder Supervisor	Supervising the Board and the senior management
Mr. TANG Yunwei (湯雲為)....................	71	February 2012	February 2012	External Supervisor	Supervising the Board and the senior management, being responsible for the supervision committee of the Board of Supervisors

Name	Age	Date of joining the Bank	Date of appointment as a Supervisor	Position	Responsibilities
Mr. LIU Yuhui (劉煜輝)....................	45	June 2011	June 2011	External Supervisor	Supervising the Board and the senior management, being responsible for the nomination committee of the Board of Supervisors
Mr. ZHANG Shengping (張聖平)....................	50	June 2015	June 2015	External Supervisor	Supervising the Board and the senior management
Ms. DUAN Ping (段萍).	49	August 1996	February 2012	Employee Supervisor	Supervising the Board and the senior management
Ms. ZHANG Chunge (張春閣)....................	46	September 2000	February 2012	Employee Supervisor	Supervising the Board and the senior management
Ms. CUI Huarui (崔華瑞)....................	48	February 2002	May 2015	Employee Supervisor	Supervising the Board and the senior management

Mr. FAN Dalu, aged 51, was appointed as a shareholder Supervisor of the Bank in November 2011 and appointed as the chairman of the Board of Supervisors in December 2011.

Mr. FAN joined the Bank in April 2003 and had served as the vice president of the Bank from May 2003 to December 2011. Prior to joining the Bank, he had undertaken scientific research in applied economics post doctoral mobile station of Peking University from January 2002 to May 2004, and had undertaken scientific research in applied economics post doctoral mobile station of Southwestern University of Finance and Economics from December 1999 to November 2001.

Mr. FAN obtained a doctoral degree in management from Southwest Agriculture University (Chongqing, China) in July 1999.

Mr. ZHU Zhihui, aged 46, was appointed as a shareholder Supervisor of the Bank in June 2015. He has served as the chairman of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) since December 2005, the chairman of Zhengzhou Huida Industry (Group) Co., Ltd. (鄭州暉達實業(集團)有限公司) from May 1998 to December 2014, and the general manager of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) since March 1993, and the chairman of the aforesaid company since November 2011.

Mr. ZHU graduated from School of Communist Party of China Henan Province Committee (中共河南省委黨校) (Henan, China) in December 1996, majoring in economic management (correspondance education), and obtained a completion certificate in business strategy advanced program (經營方略高級研修班) from Peking University (Beijing, China) in April 2010.

Ms. MENG Jun, aged 44, was appointed as a shareholder Supervisor of the Bank in February 2012. She has served as the vice president of Henan Zhenghong Property Co., Ltd. (河南正弘置業有限公司) and the general manager of financial management centre since July 2013. Prior to that, she had successively served as the assistant to president, the financial director and the deputy general manager of Henan Zhenghong Property Co., Ltd. from June 1996 to June 2013.

Ms. MENG graduated from Henan Institute of Finance of Economics (河南財經學院) (Henan, China) in December 1992, majoring in accounting. She graduated from Central South University (Hunan, China) in January 2007, majoring in accounting (internet education). She has been a senior international financial manager accredited by International Financial Management Association (國際財務管理協會) since January 2010, an intermediate accountant accredited by Ministry of Finance of the PRC since May 2004 and certified financial planner accredited by the Institute of Chinese Certified Financial Planners (中國註冊理財規劃師協會) from July 2012 to July 2015.

Mr. TANG Yunwei, aged 71, was appointed as an external Supervisor of the Bank in February 2012. He has been a member of Accounting Standards Committee of Ministry of Finance of the PRC since October 1998 and a member of Auditing Standards Committee of Chinese Institute of Certified Public Accountants (中國註冊會計師協會) from January 2007 to January 2009. He had served as the independent non-executive director of Ping An Insurance (Group) Company of China Ltd. (listed on Hong Kong Stock Exchange, stock code: 02318; listed on Shanghai Stock Exchange, stock code: 601318) from June 2009 to June 2015, the independent director of Tung Kong Security Printing Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002117) from August 2009 to September 2012, the independent director of Jiangsu Zhongnan Construction Group Holding Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000961) from August 2010 to March 2014, the independent director of Shanghai Bairun Flavour & Fragrance Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002568) from November 2011 to November 2014, and the independent non-executive director of China National Building Material Co. Ltd. (listed on Hong Kong Stock Exchange, stock code: 03323) since October 2014. Prior to that, he had served as the legal representative of Shanghai Association of Accounting (上海市會計學會) from August 2002 to July 2012, and had served as a partner in Ernst & Young from January 2002 to December 2006. He had served as the acting vice principal of Shanghai University of Finance and Economics from March 1991 to September 1993 and the principal of Shanghai University of Finance and Economics from October 1993 to January 1999. He was elected as the honorary member of Association of Chartered Certified Accountants (英國公認會計師公會) in July 2001, and was awarded the title of "returned overseas student with outstanding contribution to socialistic modernisation construction" (在社會主義現代建設中突出貢獻的回國留學人員) by the State Education Commission and Ministry of Personnel in January 1991.

Mr. TANG graduated from Shanghai College of Finance and Economics (Shanghai, China) in July 1968, majoring in accounting. He graduated from the Shanghai University of Finance and Economics (Shanghai, China) in November 1983, majoring in industrial accounting, and obtained a master's degree in economics. He obtained a doctoral degree in economics from the Shanghai University of Finance and Economics (Shanghai, China) in January 1988.

Mr. LIU Yuhui, aged 45, was appointed as an external Supervisor of the Bank in June 2011. He has served as the researcher of Finance Institute of Chinese Academy of Social Sciences since December 2011. He has served as the independent director of Central China Land Media Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000719) since December 2014.

Mr. LIU obtained a doctoral degree in economics from Graduate School of Chinese Academy of Social Sciences (Beijing, China) in June 2003.

Mr. ZHANG Shengping, aged 50, was appointed as an external Supervisor of the Bank in June 2015. He has served as the vice dean of Guanghua School of Management, Peking University since June 2015 and the associate professor and PhD supervisor of the Department of Finance of Guanghua School of Management, Peking University since August 2002. He served as the independent non-executive director of Hisense Kelon Electrical Holdings Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 00921; listed on Shenzhen Stock Exchange, stock code: 000921) from June 2006 to June 2012, the independent director of Yinzuo Group Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600858) from June 2006 to December 2012, the independent director of Guangdong Jinma Travel Group Holding Co., Ltd. (formerly listed on Shenzhen Stock Exchange, stock code: 000602, delisted since August 14, 2013) since August 2011, the independent director of Huizhou SPEED Wireless Technology Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300322) since January 2012, the independent non-executive Director of Harbin Bank Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 06138) since June 2012, and the independent director of Guangdong No. 2 Hydropower Engineering Bureau Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002060) since December 2013. Prior to that, he had undertaken research at applied economics post doctoral mobile station of Guanghua School of Management, Peking University from July 2000 to June 2002.

Mr. ZHANG graduated from Nankai University (Tianjin, China) in July 2000, majoring in world economics, and obtained a doctoral degree in economics. He has been an associate professor accredited by Peking University since August 2002.

Ms. DUAN Ping, aged 49, was appointed as an employee Supervisor of the Bank in February 2012 and appointed as the director of discipline inspection committee of the Bank in May 2015. She joined the Bank in August 1996 and had sussessively served as the staff member of Wulibao sub-branch, the staff member of party affairs office, the staff member of planning department, the staff member of planning and funds department, the staff member of human resources department, the general manager of party affairs department, the vice president of Luoyang branch from August 1996 to May 2015. Prior to that, she was a staff member of Zhengzhou Wulibao City Credit Cooperatives (鄭州五里堡城市信用社) from April 1995 to August 1996.

Ms. DUAN graduated from Henan Radio & Television University (河南廣播電視大學) (Henan, China) in September 1987, majoring in industrial statistics. She graduated from The Open University of China (中央廣播電視大學) (Beijing, China) in November 2003, majoring in finance. She has been a senior political consultant accredited by Senior Professional Evaluation Committee of Henan Province Enterprises' Ideological and Political Personnel (河南省企業思想政治工作人員高級專業職務任職資格評審委員會) since February 2007.

Ms. ZHANG Chunge, aged 46, was appointed as an employee Supervisor of the Bank in February 2012 and appointed as the president of Zhenghua Road sub-branch of the Bank in February 2014. She joined the Bank in September 2000 and had successively served as the manager of marketing department, and the president of Weiyi Road sub-branch of the Bank from September 2000 to February 2014.

Ms. ZHANG graduated from Correspondence Education College of Central School of Communist Party of China (中共中央黨校函授學院) (Beijing, China) in December 2000, majoring in economic management (correspondence education), and obtained a completion certificate in (Zhengzhou Bank) MBA finance advanced program ((鄭州銀行)MBA金融方向高級研修班) from Renmin University of China (Beijing, China) in April 2010. She has been an economist accredited by Henan Province Science and Technology Commission (河南省科委) since November 1999.

Ms. CUI Huarui, aged 48, was appointed as an employee Supervisor of the Bank in May 2015 and appointed as the director of head office business department of the Bank in July 2014. She joined the Bank in February 2002 and had successively served as the vice president of Jingguang Road sub-branch, the president of Xinghua Street sub-branch, and the president of West District sub-branch from February 2002 to July 2014. Prior to that, she had served as the staff member and the manager of the operation department of Bridge Trust Investment Company (百瑞信托投資公司) from February 1993 to January 2002, and the staff member of Zhengzhou Fangzhi Road grain office from September 1988 to January 1993.

Ms. CUI graduated from Correspondence Education College of Central School of Communist Party of China (中共中央黨校函授學院) (Beijing, China) in December 1996, majoring in foreign economics (correspondence education). She obtained a master's degree in business administration from Macau University of Science and Technology (Macau, China) in July 2003, and obtained a completion certificate of banking/finance training course from University of Canberra (Australia) professional management program training center (堪培拉大學(澳大利亞)專業管理項目培訓中心銀行/金融培訓課程結業証書) in April 2008. She has been an accountant accredited by Ministry of Finance of the PRC since May 1998, and a senior accountant accredited by the People's Government of Henan Province since April 2010.

SENIOR MANAGEMENT

The following table sets forth certain information regarding our senior management.

Name	Age	Date of Joining the Bank	Date of First Appointment as Senior Management	Position	Responsibilities
Mr. SHEN Xueqing (申學清)	50	December 2011	December 2011	President	Being responsible for the overall operations and management, being in charge of the general office
Mr. XIA Hua (夏華)................	48	September 2011	December 2011	Vice president	Being responsible for the operations of the credit approval department, the risk management department, the compliance department and the legal department

Name	Age	Date of Joining the Bank	Date of First Appointment as Senior Management	Position	Responsibilities
Ms. ZHAO Lijuan (趙麗娟)	53	August 1996	May 2008	Vice president	Being responsible for the operations of the operations management department, the administration and management department, the science and technology development department and the labor union
Mr. BAI Xiaofeng (白效鋒)	48	May 2008	May 2008	Vice president	Being responsible for the operations of the financial markets department, the interbank department and the asset management department
Mr. GUO Zhibin (郭志彬)	47	December 2010	December 2010	Assistant to president	Being responsible for the operations of the corporate business department and the trade finance department
Mr. ZHANG Wenjian (張文建)	50	November 1997	May 2011	Assistant to president	Being responsible for the operations of the electronic banking department, the retail banking department and the credit card department
Mr. SUN Haigang (孫海剛)	38	October 2009	October 2009	Assistant to president	Being responsible for the operations of the Luoyang branch
Ms. MAO Yuezhen (毛月珍)	52	August 1996	October 2011	Chief accountant	Being responsible for the operations of the finance and accounting department
Mr. FU Chunqiao (傅春喬)	42	August 1996	June 2013	Secretary of the Board of Directors, director of office of the Board of Directors	Being responsible for the operations of office of the Board of Directors

For Mr. SHEN Xueqing's biography, please see "— Executive Directors".

Mr. XIA Hua, aged 48, has served as a vice president of the Bank since December 2011. He is primarily responsible for the operations of the credit approval department, the risk management department, the compliance department and the legal department.

Mr. XIA has over 25 years of experience in banking industry. He joined the Bank in September 2011. Prior to joining the Bank, he had successively served in CBRC Henan Office as the principal staff member and the deputy chief of state-owned banking regulatory No. 1 department, the deputy chief and the regulatory researcher of city commercial banks regulatory department from September 2003 to October 2011. He had sucessively served in PBoC as the vice president of Yichuan County sub-branch, the deputy principal staff member and the principal staff member of rural cooperation finance management department of Henan office, the principal staff member of the cooperation department of Zhengzhou regulatory office of Jinan office, the principal staff member of agricultural bank regulatory department from August 1996 to September 2003, and the staff member of the foreign exchange department of PBoC Luoyang office from July 1990 to July 1996.

Mr. XIA graduated from the Beijing Agricultural Engineering University (北京農業工程大學) (Beijing, China) in July 1990, majoring in applied electronic technology, and obtained a bachelor's degree in engineering. He has been an economist accredited by the Ministry of Personnel of the PRC since June 1995.

Ms. ZHAO Lijuan, aged 53, has served as a vice president of the Bank since May 2008, and the chairman of the labor union of the Bank since November 2007. She is primarily responsible for the operations of the operations management department, the administration and management department, the science and technology development department and the labor union.

Ms. ZHAO has approximately 31 years of experience in banking industry. She joined the Bank in August 1996 and had successively served as the vice president and the president of Wulibao sub-branch, the president of Jinhai Avenue sub-branch from August 1996 to March 2008. Prior to joining the Bank, she successively served as the accountant and the accounting chief of Zhengzhou Wulibao City Credit Cooperatives (鄭州五里堡城市信用社) from December 1984 to August 1996.

Ms. ZHAO graduated from Air Force Logistics Management College of the People's Liberation Army of the PRC (中國人民解放軍空軍後勤管理學院) (Jiangsu, China) in June 2004, majoring in financial management. She obtained a completion certificate of advanced course program in finance major of business administration master (工商管理碩士課程金融方向高級研修班) from the School of Finance of Renmin University of China (Beijing, China) in March 2008. She has been a senior political consultant accredited by Senior Professional Evaluation Committee of Henan Province Enterprises' Ideological and Political Personnel (河南省企業思想政治工作人員高級專業職務任職資格評審委員會) since January 2009, and an economist accredited by Ministry of Personnel of the PRC since November 2001.

Mr. BAI Xiaofeng, aged 48, has served as a vice president of the Bank since May 2008. He is primarily responsible for the operations of the financial markets department, the interbank department and the asset management department.

Mr. BAI has over 24 years of experience in banking industry. He joined the Bank in May 2008. Prior to joining the Bank, he had served successively in Zhengzhou branch of Guangdong Development Bank, Co., Ltd. (廣東發展銀行股份有限公司) (currently known as China Guangfa Bank Co., Ltd., 廣發銀行股份有限公司) as the manager of branch office, the manager of credit management department, the assistant to president of Wenhua Road sub-branch, the vice president and the president of Jinshui Road sub-branch from September 2003 to March 2008. He had served successively in PBoC as the vice president of Shangjiequ sub-branch of Zhengzhou office, the vice president of Xinzheng sub-branch, the principal staff member of policy banking regulatory department of Zhengzhou financial regulatory office of Jinan office from March 1998 to September 2003. He served as the deputy head of preparatory team of Sanmenxia City Credit Cooperatives (三門峽市城市信用聯社) from November 1997 to March 1998, the chief of the planning section of Shan County sub-branch of PBoC, the deputy chief of administrative and education section and the deputy chief of financial management section of Sanmenxia office in Henan Province from June 1991 to November 1997.

Mr. BAI graduated from Zhengzhou University (Henan, China) in June 1989, majoring in economics, and obtained a bachelor's degree in economics. He obtained a master's degree in business administration from Hunan University (Hunan, China) in December 2000. He has been an economist accredited by the Ministry of Personnel of the PRC since April 1994.

Mr. GUO Zhibin, aged 47, has served as an assistant to president of the Bank since December 2010. He is primarily responsible for the operations of the corporate business department and the trade finance department.

Mr. GUO has approximately 17 years of experience in banking industry. He joined the Bank in December 2010. Prior to joining the Bank, he had served in Industrial Bank Co., Ltd. (興業銀行股份有限公司) as the president of Huanghe Road sub-branch of Zhengzhou branch from March 2006 to December 2010. In addition, he had served in Everbright Bank Co., Ltd. (光大銀行股份有限公司) as the assistant to president and the vice president of Hongzhuan Road sub-branch of Zhengzhou branch, the deputy general manager of corporate business No. 2 department of Zhengzhou branch, and the general manager of asset security department of Zhengzhou branch from June 1999 to March 2006. He had served as the manager and the deputy general manager of the general office of Henan Yutai Mall Co., Ltd. (河南豫泰商廈有限公司) from October 1997 to May 1999, and the deputy director of general office of Henan Province Labor City Credit Cooperatives (河南省勞動城市信用社) from December 1996 to October 1997.

Mr. GUO graduated from Zhengzhou University (Henan, China) in June 1995, majoring in finance. He graduated from national economics post-graduate course program (國民經濟學專業研究生課程進修班) of Henan University (Henan, China) in July 1999, and obtained a master's degree in business administration from the Asia International Open University (Macau) (Macau, China) in August 2004. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1997.

Mr. ZHANG Wenjian, aged 50, has served as an assistant to president of the Bank since May 2011. He is primarily responsible for the operations of the electronic banking department, the retail banking department and the credit card department.

Mr. ZHANG has over 30 years of experience in banking industry. He joined the Bank in November 1997 and had successively served as the staff member of Zhengliu Street sub-branch, the deputy general manager of financial accounting department, the general manager of accounting and settlement department, the general manager of corporate business department, a member of preparatory team of Nanyang branch, and the president of Nanyang branch from November 1997 to

May 2011. Prior to that, he had served as the deputy chief of accounting section and the director of transaction centre of Jinshui sub-branch of Industrial & Commercial Bank of China Limited (中國工商銀行股份有限公司) from February 1985 to November 1997.

Mr. ZHANG graduated from the Zhengzhou Workers' University (鄭州市職工大學) (Henan, China) in June 1989, majoring in applied computer science, and graduated from Nanjing Institute of Political Science (南京政治學院) (Jiangsu, China) in June 2005, majoring in economic management. He has been an economist accredited by the Ministry of Personnel of the PRC since June 1995.

Mr. SUN Haigang, aged 38, has served as an assistant to president of the Bank since October 2009 and the president of Luoyang branch since October 2013. He is primarily responsible for the operations of Luoyang branch.

Mr. SUN has approximately 6 years of experience in banking industry. He joined the Bank in October 2009. Prior to joining the Bank, he had served as the planner for planning and management of Baosteel Holding Co., Ltd. (寶山鋼鐵股份有限公司) from July 2009 to September 2009.

Mr. SUN graduated from the Henan University (Henan, China) in June 2000, majoring in marketing (advertising), and obtained a bachelor's degree in arts. He graduated from the Henan University (Henan, China) in July 2004, majoring in political economics, and obtained a master's degree in economics. He graduated from Shanghai University of Finance and Economics (Shanghai, China) in June 2007, majoring in industrial economics, and obtained a doctoral degree in economics. He has been an economist accredited by the Human Resources and Social Security Ministry of the PRC since November 2011.

Ms. MAO Yuezhen, aged 52, has served as the chief accountant of the Bank since September 2011. She is primarily responsible for the operations of the finance and accounting department.

Ms. MAO has approximately 20 years of experience in finance and accounting. She joined the Bank in August 1996 and had successively served as the chief of accounting section of Hongqi Road sub-branch, the vice president of Hongqi Road sub-branch, the deputy director of auditing department, the general manager of audit and supervision department, the director of assessment office, the general manager of planning and asset department, and the general manager of planning and finance department of the Bank from August 1996 to October 2011. Prior to joining the Bank, she had served as the manager of accounting department of Henan Jinyu Experimental Bank (河南金育實驗銀行) from April 1993 to July 1996, and a lecturer of Henan College for Finance and Management Officials (河南金融管理幹部學院) from July 1987 to March 1993.

Ms. MAO graduated from the Henan College for Finance and Management Officials (河南金融管理幹部學院) (Henan, China) in July 1995, majoring in finance. She has been an intermediate level accountant accredited by the Ministry of Finance of the PRC since May 2002.

Mr. FU Chunqiao, aged 42, has served as the director of the Office of the Board of Directors of the Bank since January 2011 and the secretary to the Board of Directors since June 2013. He is primarily responsible for the operations of the Office of the Board of Directors.

Mr. FU has approximately 19 years of experience in the banking industry. He joined the Bank in August 1996, and had served successively as the deputy manager and the deputy general manager of planning and asset department, and the deputy general manager and the general manager of asset operation department from March 2000 to January 2011.

Mr. FU graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1995, majoring in money and banking. He obtained a master's degree in law from Zhengzhou University (Henan, China) in June 2008. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1999.

JOINT COMPANY SECRETARIES

Mr. FU Chunqiao, aged 42, is one of the joint company secretaries of the Bank being appointed on September 29, 2015. Please see "— Senior Management" for his biography.

Ms. LEUNG Wing Han Sharon, is one of the joint company secretaries of the Bank being appointed on November 6, 2015.

Ms. LEUNG is a vice president of SW Corporate Service 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. Ms. LEUNG 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.

COMMITTEES UNDER THE BOARD OF DIRECTORS

The following committees have been set up under the Board: Strategic Development Committee, Audit Committee, Related Party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration and Assessment Committee. These committees operate in accordance with their respective scope of responsibilities and authorities formulated by the Board.

Strategic Development Committee

The Bank has set up the Strategic Development Committee with written scope of responsibilities and authorities. The Strategic Development Committee consists of four Directors, namely, Mr. WANG Tianyu, Mr. SHEN Xueqing, Mr. ZHANG Rongshun and Mr. XU Jianxin. The chairman of the Strategic Development Committee is Mr. WANG Tianyu. The primary duties of the Strategic Development Committee include:

- setting business and management objectives and long-term development strategy for the Bank;
- supervising and checking the implementation of annual business plans and investment plans; and

- communicating regularly with the senior management and head of departments in relation to the operations and risks of the Bank, and providing advice and suggestion.

Audit Committee

The Bank has set up the Audit Committee with written scope of responsibilities and authorities in compliance with the requirements of the Listing Rules. The Audit Committee consists of three Directors, namely, Mr. XIE Taifeng, Ms. CHAN Mei Bo Mabel and Mr. JI Hongjun. The chairman of the Audit committee is Mr. XIE Taifeng. The primary duties of the Audit Committee include:

- reviewing the risks and compliance status, internal control management system, accounting policies, auditing basic management procedures, financial reporting procedures and financial position of the Bank, auditing the financial information of the Bank, including the integrity of our financial statements and annual report and accounts, interim report and (if prepared for publication) quarterly reports, and reviewing important comments on financial reporting contained in such statements and reports;

- making recommendations to the Board on the employment, renewal of employment or change of the external auditor, and reviewing the fees and terms of employment of the external auditor, and handling all issues relating to resignation and change of external auditor;

- examining and supervising the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- formulating and implementing policies on the provision of non-audit services by an external auditor;

- reviewing the external auditor's letter to the management, any material questions raised by the external auditor to the management about accounting records, financial accounts or systems of control and management's response;

- acting as the key representative for overseeing the Bank's relations with the external auditing body, taking charge of the communication between internal and external auditors, and ensuring coordination between the internal and external auditors;

- being responsible for the annual auditing of the Bank, and being responsible for supervising senior management so as to rectify problems detected during auditing and carrying out the suggestions on auditing;

- reviewing and approving internal auditing system of the Bank and supervising implementation of those procedures, reviewing internal auditing regularly, evaluating and reporting to the Board of Directors, and ensuring the internal auditing body has enough resources for operations and a proper status, as well as inspecting the efficacy of internal audit;

- reviewing, supervising financial control, internal control and risk management procedures of the Bank, reviewing relevant regulations and its implementation, checking and evaluating the compliance and effectiveness of significant operations of the company; and

- discussing the internal control system with the management, constantly checking and supervising whether the management has performed its duty to establish an effective internal control system.

Related Party Transactions Control Committee

The Bank has set up the Related Party Transactions Control Committee with written scope of responsibilities and authorities. The Related Party Transactions Control Committee consists of three Directors, namely, Mr. WU Ge, Mr. XIE Taifeng and Mr. MA Jinwei. The chairman of the Related Party Transactions Control Committee is Mr. WU Ge. The primary duties of the Related Party Transactions Control Committee include:

- being responsible for the management, review and approval, as authorized by the Board of Directors, of related party transactions, and controlling the risk of related party transactions;

- formulating rules and the control framework relating to related party transactions of the Bank;

- identifying related parties and connected parties and reporting them to the Board of Directors and the Board of Supervisors, and providing the list of related parties of the Bank to relevant staff;

- accepting the filing of general related party transactions; and

- reviewing and supervising the control of related party transactions of the Bank, the implementation of related party transaction control by our Directors, senior management and related personnel, and reporting to the Board of Directors.

Risk Management Committee

The Bank has set up the Risk Management Committee with written scope of responsibilities and authorities. The Risk Management Committee consists of three Directors, namely, Mr. WANG Shihao, Mr. LIANG Songwei and Mr. MA Lei. The chairman of the Risk Management Committee is Mr. WANG Shihao. The primary duties of the Risk Management Committee include:

- controlling, managing, monitoring and assessing risks of the Bank;

- reviewing risk control principles, objectives and policies of the Bank, and reporting them to the Board of Directors for deliberation and approval;

- reviewing risk management measures of the Bank and risk management related issues of the Bank;

- discussing significant risk management issues that need to be reported to the Board of Directors for deliberation;

- examining and supervising the risk management work carried out by the senior management in all aspects;
- conducting surveys and evaluations on risk policies, management status and risk tolerance levels of the Bank on a regular basis, and reporting to the Board of Directors;
- providing recommendations on improving risk management and internal control of the Bank;
- formulating authorization management scheme of the Bank and reporting to the Board of Directors for approval;
- being responsible for anti-money laundering duties of the Bank, and organizing and guiding anti-money laundering according to the authorization of the Board of Directors, and assuming responsibility to the Board of Directors;
- being responsible for compliance management of the Bank and organizing and guiding swindle prevention control according to the authorization of the Board of Directors, assuming responsibility to the Board of Directors;
- preparing overall swindle prevention control policy, promoting and forming swindle prevention control management system; clarifying responsibilities and authorities of the senior management in swindle prevention control; ensuring that necessary measures have been taken by the senior management for effective monitoring, early warning and treatment of risks; proposing overall requirements for swindle prevention control, reviewing swindle prevention control report, assessing and evaluating effectiveness of swindle prevention control of the Bank; ensuring effective review and supervision of internal audit department to swindle prevention control;
- discussing risk management and internal supervision system with the management, ensuring that the management has fulfilled its responsibility to establish an effective system; and
- reviewing the effectiveness of financial reporting and compliance of the Bank with the Listing Rules at least once every year.

Nomination Committee

The Bank has set up the Nomination Committee with written scope of responsibilities and authorities in compliance with the requirements of the Listing Rules. The Nomination Committee consists of three Directors, namely, Ms. CHAN Mei Bo Mabel, Mr. WU Ge and Mr. FAN Yutao. The chairwoman of the Nomination Committee is Ms. CHAN Mei Bo Mabel. The primary duties of the Nomination Committee include:

- reviewing the structure, size and composition (including skills, knowledge and experience) of the Board of Directors and the management every year according to the operations, management, asset scale and equity structure of the Bank, and providing suggestions to possible changes of the Board of Directors based on the strategy of the Bank;

- formulating the criteria and procedures for selecting Directors and members of senior management, and providing suggestions to the Board;
- conducting the preliminary examination of qualifications of candidates for directorships and senior management, and making recommendations to the Board;
- identifying qualified candidates for Directors and senior management, and choosing related nominated persons to serve as Director or senior management or providing advice to the Board accordingly, and formulating training plan for senior management and key talent reserves, and making recommendations to the Board; and
- assessing the independence of independent non-executive directors.

Remuneration and Assessment Committee

The Bank has set up the Remuneration and Assessment Committee with written scope of responsibilities and authorities in compliance with the requirements of the Listing Rules. The Remuneration and Assessment Committee consists of three Directors, namely, Mr. LI Huaizhen, Mr. WANG Shihao and Mr. ZHANG Jingguo. The chairman of the Remuneration and Assessment Committee is Mr. LI Huaizhen. The primary duties of the Remuneration and Assessment Committee include:

- reviewing remuneration management system and policies of the Bank;
- studying the criteria for appraising Directors and senior management, conducting the appraisal and making proposals;
- making proposals to the Board in relation to remuneration policies and structure applying to Directors and senior management of the Bank, and establishment of formal and transparent procedures for formulating such remuneration policies, and supervising and modifying the execution of remuneration procedures of the Bank;
- reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives formulated by the Board;
- making recommendations to the Board on remuneration for individual executive Director and senior management;
- making recommendations to the Board on remuneration for non-executive Directors;
- making recommendations on employment conditions for other positions of the Bank by taking into consideration remuneration of similar company, time requested and responsibilities;

- reviewing and approving any compensations payable to executive Directors and senior management for their losses or terminations of office or appointments to ensure that such compensations are consistent with contractual terms, or are otherwise fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his or her misconduct to ensure that such arrangements are consistent with contractual terms, or are otherwise reasonable and appropriate;

- reviewing the execution of duty of the Directors and senior management and appraising their annual performance; and

- ensuring that neither any Director nor any of his or her associates is involved in determining his or her own remuneration.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

In addition to the above committees under the Board, the Bank has also set up two committees under our Board of Supervisors, namely the Supervision Committee and the Nomination Committee. These committees shall operate within the scope of responsibilities and authorities established by the Board of Supervisors of the Bank.

Supervision Committee

The Supervision Committee consists of 3 Supervisors, namely Mr. TANG Yunwei, Ms. MENG Jun and Ms. ZHANG Chunge. The chairman of the Supervision Committee is Mr. TANG Yunwei. The primary duties of the Supervision Committee include:

- preparing plans on reviewing and supervising of the financial activities of the Bank;

- preparing plans on resignation and auditing of Directors and senior management;

- preparing plans and organizing auditing on business decisions, risk management and internal control of the Bank;

- organizing auditing on authenticity of the Bank's business results of the previous year;

- monitoring Directors and senior management on any violation of the laws, regulations, financial policies and Articles of Association of the Bank in their performance of duties;

- reviewing financial information of the Bank that shall be disclosed to the public; and

- providing guidance to internal audit department of the Bank in relation to their work.

Nomination Committee

The Nomination Committee consists of 3 Supervisors, namely Mr. LIU Yuhui, Mr. ZHU Zhihui and Ms. DUAN Ping. The chairman of the Nomination Committee is Mr. LIU Yuhui. The primary duties of the Nomination Committee include:

- advising the Board of Supervisors on the size and composition of the Board of Supervisors based on the operations, asset scale and shareholding structure of the Bank;
- studying and preparing the procedures and criteria for selecting Supervisors, and providing advice to the Board of Supervisors;
- widely seeking qualified supervisor candidates;
- subject to the relevant laws and regulations, conducting and making recommendations in relation to preliminary review on the qualifications and conditions of Supervisors;
- supervising and inspecting the performance of Supervisors during their term of service under the authorization of the Board of Supervisors;
- appraising the performance of Supervisors and reporting to the Board of Supervisors;
- drafting proposal to the Board of Supervisors for the removal of Supervisors;
- providing advice on incentive and punishment to, and appointment and removal of, Supervisors to the Board of Supervisors; and
- preparing for the election of Board of Supervisors.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank offers executive Directors, employee representative Supervisors and senior management members, who are also employees of the Bank, compensation in the form of salaries, bonus, social security plans, housing provident fund scheme and other benefits. Our independent non-executive Directors and external Supervisors receive compensation based on their responsibilities.

The aggregate amounts of pre-tax remuneration which we paid to the Directors and Supervisors for the years ended December 31 of 2012, 2013 and 2014 and the six months ended June 30, 2015 were RMB8.65 million, RMB11.35 million, RMB11.94 million and RMB6.52 million, respectively.

The aggregate amounts of pre-tax remuneration we paid to our top five individuals with highest pay for the years ended December 31 of 2012, 2013 and 2014 and the six months ended June 30, 2015 were RMB7.30 million, RMB9.79 million, RMB10.35 million and RMB5.66 million, respectively.

It is estimated that pre-tax remuneration to be paid by the Bank to Directors and Supervisors will be equivalent to approximately RMB11.87 million in aggregate in 2015, based on the arrangements in force as of the date of this prospectus.

No compensation was paid to Directors, Supervisors or the top five individuals with highest pay of the Bank as an inducement to join, or upon joining, the Bank. No compensation was paid to, or is receivable by, our current Directors or ex-Directors during the Track Record Period for the loss of office as Director of the Bank or of any other offices in connection with the management of the affairs of the Bank. None of the Directors of the Bank waived any compensation during the same period.

Except as disclosed above, no other payments were paid or are payable, in the years ended December 31 of 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, by us to the Directors.

INTERESTS OF DIRECTORS AND SUPERVISORS

Except as disclosed in this prospectus, none of the Directors and the Supervisors: (i) held any other positions in the Bank as of the Latest Practicable Date; (ii) had any other relationship with any Directors, senior management or substantial shareholder or controlling shareholder of the Bank as of the Latest Practicable Date; and (iii) held any other directorship in any listed companies in the three years prior to the Latest Practicable Date. Please see Appendix VII — "Statutory and General Information" to this prospectus for interests of our Directors and Supervisors in the Domestic Shares within the meaning of Part XV of the SFO.

Except as disclosed herein, none of our Directors holds interests in any business other than that of the Bank, which competes or is likely to compete, either directly or indirectly, with our business under Rule 8.10(2) of the Listing Rules.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors and Supervisors after 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.

COMPLIANCE ADVISOR

We have appointed BOCOM International (Asia) 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 shall advise the Bank:

- before release of any regulatory announcement, circular or financial report;
- on any contemplated transaction (which might be a notifiable or connected transaction), including issuance and buyback of Shares;

- where the 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 to the Bank regarding unusual movements in the price or trading volume of H Shares of the Bank, the possible development of a false market in H Shares of the Bank or any other matters.

The terms of the appointment of the compliance advisor shall commence on the Listing Date and end on the date of distribution of the annual report of the financial results of the Bank for the first full financial year commencing after the Listing Date.

As of the Latest Practicable Date, our share capital was RMB3,941,931,900 comprising 3,941,931,900 Domestic Shares and the following persons directly or indirectly hold, control, or are entitled to exercise, or control the exercise of, 5% or more of our Domestic Shares.

Name of Shareholder	No. of Shares directly or indirectly held	Approximate percentage of share capital
Zhengzhou Finance Bureau (鄭州市財政局)[1]	763,451,036	19.37%
Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司)[2]	222,546,281	5.65%
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)[3]	262,000,000	6.65%
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)[4]	250,000,000	6.34%
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)[5]	234,800,000	5.96%
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)[6]	226,000,000	5.73%
Zhongyuan Trust Co., Ltd. (中原信託有限公司)[7]	205,000,000	5.20%
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)[8]	199,046,474	5.05%

1 These 763,451,036 Shares are directly or indirectly held by Zhengzhou Finance Bureau (鄭州市財政局), including 490,904,755 Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局), and 135,412,337 Shares, 50,000,000 Shares, 85,133,944 Shares and 2,000,000 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, each of which is directly or indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局).

Since September 3, 2012 and up to the release of the Share pledge on November 11, 2015 as stated below, 640,900,000 Shares (comprising 490,900,000 Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局), our single largest Shareholder, and 150,000,000 Shares indirectly held through its wholly-owned subsidiaries Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) had been pledged (the "Largest Shareholder Share Pledge") to a construction engineering company to secure the obligations of Zhengzhou Finance Bureau (鄭州市財政局) and Zhengzhou Urban and Rural Construction Commission (鄭州市城鄉建設委員會) (including payment obligations) under a Build-Transfer road construction project (the "Road Construction Project") and the 490,900,000 pledged Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局) had represented nearly 100% of the 490,904,755 Shares directly held by it.

On November 11, 2015, the construction engineering company released 270,000,000 Shares pledged by Zhengzhou Finance Bureau (鄭州市財政局) under the Largest Shareholder Share Pledge and as a result, the number of pledged Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局) under the Largest Sharesholder Share Pledge decreased from 490,900,000 Shares to 220,900,000 Shares as of the Latest Practicable Date, representing approximately 45% of all the Shares directly held by it. Zhengzhou Finance Bureau (鄭州市財政局) has undertaken to the Bank to keep the number of pledged Shares it held directly as a percentage of the total Shares it held directly below 50% up to the Listing Date. As of the Latest Practicable Date, the total number of pledged Shares (including Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局) and indirectly held by its wholly-owned subsidiaries) under the Largest Shareholder Share Pledge was 370,900,000 Shares.

To the best of our knowledge, after due investigation and careful consideration, we believe that the likelihood that there would be a change in our single largest shareholder prior to the Listing Date as a result of any enforcement of the Largest Shareholder Share Pledge is remote primarily because (i) the Shares that are the subject of the Largest Shareholder Share Pledge were pledged as a collateral for the obligations of Zhengzhou Finance Bureau (鄭州市財政局) and Zhengzhou Urban and Rural Construction Commission (鄭州市城鄉建設委員會) under the Road Construction Project, and thus Zhengzhou Finance Bureau (鄭州市財政局) has control over performing its own obligations in accordance with the project terms; and (ii) Zhengzhou Finance Bureau (鄭州市財政局), being Zhengzhou municipality government's fiscal department, a supervisory authority, and is backed by full support of Zhengzhou municipality government, we are not aware that Zhengzhou Finance Bureau (鄭州市財政局) has experienced problems with its liquidity and according to our understanding, the possibility that it will encounter liquidity problems when it is required to perform its payment obligations, which would cause a default on its obligations and which could in turn trigger an enforcement of the Largest Shareholder Share Pledge, is relatively low.

2 These 222,546,281 Shares are directly or indirectly held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), a wholly-owned subsidiary of Zhengzhou Finance Bureau (鄭州市財政局), including 135,412,337 Shares directly held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), 85,133,944 Shares held by Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and 2,000,000 Shares held by Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), both of which are indirectly wholly-owned by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司). The 370,900,000 Shares subject to the Largest Shareholder Share Pledge mentioned in note (1) above include the 100,000,000 Shares directly and indirectly held by Zhengzhou Development & Investment Group Co., Ltd.(鄭州發展投資集團有限公司).

3 All of the 262,000,000 Shares held by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) are pledged to secure borrowings of its associates and other persons in October and December 2014, and in September and November 2015, respectively.

4 124,999,990 Shares, representing less than 50% of the total Shares held by Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司), are pledged to secure borrowings of associate of Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司).

5 115,000,000 Shares, representing 48.98% of the total Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), are pledged to a financial institution in China to secure certain of its own borrowings.

6 225,000,000 Shares, representing 99.56% of the total Shares held by Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司), are pledged to secure certain of its own borrowings in November 2013.

7 All of the 205,000,000 Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司) are frozen by a court in China as pre-litigation guarantee.

8 195,000,000 Shares, representing 97.97% of the total Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), are pledged to a financial institution in China to secure certain of its own borrowings.

9 The Bank amended the Articles of Association to include provisions to restrict the voting rights of a Shareholder who pledges 50% or more of its respective equity interests in the Bank at Shareholders' general meetings, as well as the voting rights of director(s) designated by such Shareholder at Board meetings (the "Voting Restrictions Articles"). The Voting Restrictions Articles became effective in September 2014. The aforementioned Yutai International (Henan) Real Estate Development Co. Ltd. and Henan Guoyuan Trade Co., Ltd. had pledged their respective Shares after the Voting Restrictions Articles became effective, and after such pledge came into force, the respective Shares pledged by such Shareholders had each reached or exceeded 50% of their respective equity interests in the Bank. Accordingly, all the voting rights of Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)

and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) at Shareholders' general meetings are restricted, meaning that they cannot vote at the general meetings of the Bank. Furthermore, all the voting rights of XU Jianxin (徐建新), being a non-executive Director designated by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司), at Board meetings is also restricted.

The voting rights at Shareholders' general meetings attaching to the Shares held directly and indirectly by Zhengzhou Finance Bureau (鄭州市財政局) are not restricted because the 370,900,000 Shares which are subject to the Largest Shareholder Share Pledge mentioned in note (1) above were pledged prior to the Voting Restrictions Articles became effective.

Immediately following the completion of the Global Offering:

- assuming the Over-allotment Option is not exercised, our share capital will comprise 5,141,931,900 Shares, including 3,821,931,900 Domestic Shares and 1,320,000,000 H Shares, representing 74.33% and 25.67% of our total share capital, respectively; and

- assuming the Over-allotment Option is fully exercised, our share capital will comprise 5,321,931,900 Shares, including 3,803,931,900 Domestic Shares and 1,518,000,000 H Shares, representing 71.48% and 28.52% of our total share capital, respectively.

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons will have an interest or a short position 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 or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Zhengzhou Finance Bureau (鄭州市財政局)	Beneficial Owner, interest of controlled corporation	Domestic[1] Shares	702,306,483	13.66	18.38	693,134,808	13.02	18.22

[1] The 702,306,483 Shares are directly or indirectly held by Zhengzhou Finance Bureau (鄭州市財政局), including 490,904,755 Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局), and 74,409,412 Shares, 50,000,000 Shares, 85,133,944 Shares and 1,858,372 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, assuming there is no exercise of the Over-allotment Option, each of which is directly or indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). By virtue of SFO, Zhengzhou Finance Bureau (鄭州市財政局) is deemed to be interested in the Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司). FAN Yutao (樊玉濤), our non-executive Director, is the chief economist of Zhengzhou Finance Bureau (鄭州市財政局).

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司)................	Beneficial Owner, interest of controlled corporation	Domestic[2] Shares	161,401,728	3.14	4.22	152,230,053	2.86	4.00
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Beneficial Owner	Domestic Shares	262,000,000	5.10	6.86	262,000,000	4.92	6.89
Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司)	Interest of a Controlled Corporation	Domestic[3] Shares	262,000,000	5.10	6.86	262,000,000	4.92	6.89
XU Jianxin (徐建新)..........	Interest of a Controlled Corporation	Domestic[3] Shares	262,000,000	5.10	6.86	262,000,000	4.92	6.89
Lightning Triumph Limited	Beneficial Owner	H Shares	254,500,000	4.95	19.28	254,500,000	4.78	16.77
CCCC Financial Limited (中國城市國際金融控股集團有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Construction Development International Co., Limited (中國城建開發國際有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Construction Development Co., Limited (中國城建開發有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77

2 The 161,401,728 Shares are directly or indirectly held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), including 74,409,412 Shares directly held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and 85,133,944 Shares and 1,858,372 Shares held by Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, each of which is indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局), assuming there is no exercise of the Over-allotment Option. By virtue of SFO, Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司) is deemed to be interested in the Shares held by Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司).

3 Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) is wholly-owned by Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司), which in turn is owned by XU Jianxin (徐建新), our non-executive Director, as to 80% of its shares. By virtue of SFO, Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司) and XU Jianxin (徐建新) are deemed to be interested in the Shares held by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司). XU Jianxin (徐建新), our non-executive Director, is the chairman of the board of directors of Yutai International (Henan) Real EstateDevelopment Co., Ltd. (豫泰國際(河南)房地產開發有限公司).

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
China City Construction Holding Group Company (中國城市建設控股集團有限公司)...	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Construction International Technology Development (Beijing) Co., Limited (中城建國際科技發展(北京)有限公司)	Interest of a Controlled Corporation	H Shares [4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Development Academy International Co., Limited (中國城市發展研究院國際有限公司)	Interest of a Controlled Corporation	H Shares [4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Development Academy Co., Ltd (中國城市發展研究院有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China Real Estate Research Association (中國房地產研究會).....	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
Orient Best Investments Limited	Beneficial Owner	H Shares	254,500,000	4.95	19.28	254,500,000	4.78	16.77

4 The 254,500,000 Shares are directly held by Lightning Triumph Limited ("Lightning Triumph"), which is wholly-owned by CCCC Financial Limited (中國城市國際金融控股集團有限公司) ("CCCC Financial"). CCCC Financial is wholly-owned by China City Construction Development International Co., Limited (中國城建開發國際有限公司) ("CCCD International"), which is in turn wholly-owned by China City Construction Development Co., Limited (中國城建開發有限公司) ("CCC Development"). CCC Development is wholly-owned by China City Construction Holding Group Company (中國城市建設控股集團有限公司) ("China City Construction"), which is in turn wholly-owned by China City Construction International Technology Development (Beijing) Co., Limited (中城建國際科技發展(北京)有限公司) ("CCC IT"). CCC IT is wholly-owned by China City Development Academy International Co., Limited (中國城市發展研究院國際有限公司) ("CCDA International"), which is in turn wholly-owned by China City Development Academy Co., Ltd. (中國城市發展研究院有限公司) ("China City Development"). China City Development is a wholly-owned subsidiary of China Real Estate Research Association (中國房地產研究會)("CRERA"),which is in turn controlled by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部). By virtue of SFO, each of CCCC Financial, CCCD International, CCC Development, China City Construction, CCC IT, CCDA International, China City Development and CRERA is deemed to be interested in the Shares held by Lightning Triumph.

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
JIANG Lei (蔣磊)	Interest of a Controlled Corporation	H Shares[5]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Beneficial Owner	Domestic Shares	250,000,000	4.86	6.54	250,000,000	4.70	6.57
Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司)	Interest of a Controlled Corporation	Domestic[6] Shares	250,000,000	4.86	6.54	250,000,000	4.70	6.57
ZHANG Huiqi (張惠琪)	Interest of a Controlled Corporation	Domestic[6] Shares	250,000,000	4.86	6.54	250,000,000	4.70	6.57
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Beneficial Owner	Domestic[7] Shares	218,172,838	4.24	5.71	215,678,764	4.05	5.67
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Beneficial Owner	Domestic[8] Shares	226,000,000	4.40	5.91	226,000,000	4.25	5.94
DU Liling (杜麗玲)	Interest of a Controlled Corporation	Domestic[9] Shares	226,000,000	4.40	5.91	226,000,000	4.25	5.94
WANG Meilan (王梅蘭)	Interest of a Controlled Corporation	Domestic Shares[9]	226,000,000	4.40	5.91	226,000,000	4.25	5.94
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Beneficial Owner	Domestic Shares	205,000,000	3.99	5.36	205,000,000	3.85	5.39

5 Orient Best Investments Limited is wholly-owned by JIANG Lei (蔣磊). By virtue of SFO, JIANG Lei (蔣磊) is deemed to be interested in all the Shares held by Orient Best Investments Limited.

6 Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) is owned by Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司), as to 97.8% of its shares. Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) is in turn owned by ZHANG Huiqi (張惠琪), as to 90% of its shares. By virtue of SFO, Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) and ZHANG Huiqi (張惠琪) are deemed to be interested in the Shares held by Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司). ZHANG Huiqi (張惠琪) is the daughter, being above the age of 18, of ZHANG Jiangguo (張敬國), our non-executive Director.

7 LIANG Songwei (梁嵩巍), our non-executive Director, is the general manager and the director of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司).

8 MA Jinwei (馬金偉), our non-executive Director, is the general manager of Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).

9 Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司) is owned as to 50% and 50% by DU Liling (杜麗玲) and WANG Meilan (王梅蘭). By virtue of SFO, each of DU Liling (杜麗玲) and WANG Meilan (王梅蘭) is deemed to be interested in the Shares held by Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司)	Interest of a Controlled Corporation	Domestic[10] Shares	205,000,000	3.99	5.36	205,000,000	3.85	5.39
Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司)	Interest of a Controlled Corporation	Domestic[10] Shares	205,000,000	3.99	5.36	205,000,000	3.85	5.39
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Beneficial Owner, interest of a Controlled Corporation	Domestic Shares[11]	295,807,289	5.75	7.74	294,769,212	5.54	7.75
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Beneficial Owner	Domestic Shares	199,046,474	3.87	5.21	199,046,474	3.74	5.23
ZHU Zhihui (朱志暉)	Interest of a Controlled Corporation	Domestic Shares[12]	199,046,474	3.87	5.21	199,046,474	3.74	5.23
Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司)	Beneficial Owner	H Shares	100,000,000	1.94	7.58	100,000,000	1.88	6.59

10 Zhongyuan Trust Co., Ltd. (中原信託有限公司) is owned by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) as to approximately 48.42% and 33.28%, respectively. Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) is owned by Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) as to approximately 45.09% of its shares. By virtue of SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) and Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) are deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). JI Hongjun (姬宏俊), our non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).

11 These 295,807,289 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 90,807,289 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 205,000,000 Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司), which is owned as to approximately 48.42% by Henan Investment Group Co., Ltd. (河南投資集團有限公司), assuming there is no exercise of the Over-allotment Option. By virtue of SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司).

12 Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% by ZHU Zhihui (朱志暉), our Supervisor, and 10% by his spouse, WANG Linhui (王林輝). By virtue of SFO, ZHU Zhihui (朱志暉) is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). ZHU Zhihui (朱志暉), our Supervisor, is the chairman of the board of directors of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司)	Interest of a Controlled Corporation	H Shares[13]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited(鄭州新鄭綜合保税區（鄭州航空港區）興港投資發展有限公司)	Interest of a Controlled Corporation	H Shares[14]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司)	Interest of a Controlled Corporation	H Shares[14]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Jiangsu Jinhe Electricity and Fuel Limited (江蘇晉和電力燃料有限公司)	Interest of a Controlled Corporation	H Shares[15]	100,000,000	1.94	7.58	100,000,000	1.88	6.59

13 Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司) ("Hong Kong Xingrui") is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司) ("Xingrui Industrial"). Therefore, Xingrui Industrial is deemed to be interested in the 100,000,000 Shares by virtue of SFO.

14 Xingrui Industrial is a joint venture owned by Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保税區（鄭州航空港區）興港投資發展有限公司) ("Zhengzhou Xinggang") as to 51% and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司) ("Ruimaotong") as to 49%. Therefore, each of Zhengzhou Xinggang and Ruimaotong is deemed to be interested in the 100,000,000 Shares by virtue of SFO. Zhengzhou Xinggang is a state-owned company under the Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保税區(鄭州航空港區)管理委員會).

14 Xingrui Industrial is a joint venture owned by Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保税區（鄭州航空港區）興港投資發展有限公司) ("Zhengzhou Xinggang") as to 51% and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司) ("Ruimaotong") as to 49%. Therefore, each of Zhengzhou Xinggang and Ruimaotong is deemed to be interested in the 100,000,000 Shares by virtue of SFO. Zhengzhou Xinggang is a state-owned company under the Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保税區(鄭州航空港區)管理委員會).

15 Ruimaotong is a wholly-owned subsidiary of Jiangsu Jinhe Electricity and Fuel Limited (江蘇晉和電力燃料有限公司) ("Jiangsu Jinhe"), which is in turn wholly-owned by Ruimaotong Supply Chain Management Co., Limited, a company listed on the Shanghai Stock Exchange. Therefore, each of Jiangsu Jinhe and Ruimaotong Supply Chain Management Co., Limited is deemed to be interested in all the Shares held by Ruimaotong by virtue of SFO.

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Ruimaotong Supply Chain Management Co., Limited	Interest of a Controlled Corporation	H Shares[15]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Zhengzhou Rumaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司)	Interest of a Controlled Corporation	H Shares[16]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司)	Interest of a Controlled Corporation	H Shares[17]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
WAN Yongxing (萬永興)	Interest of a Controlled Corporation	H Shares[17]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Zhengzhou Zhengdong Construction Investment Corporation	Beneficial Owner	H Shares[18]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Citigroup Global Markets Limited	Beneficial Owner/Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Citigroup Global Markets Holdings Bahamas Limited	Interest of a Controlled Corporation / Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55

16 Ruimaotong Supply Chain Management Co., Limited is owned as to 60.76% by Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司). Therefore, Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司) is deemed to be interested in the 100,000,000 Shares by virtue of SFO.

17 Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司) is wholly-owned by Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司) ("Henan Zhongrui") which in turn is owned as to 70% by WAN Yongxing (萬永興). Therefore, each of WAN Yongxing (萬永興) and Henan Zhongrui is deemed to be interested in the 100,000,000 Shares by virtue of SFO.

18 Zhengzhou Zhengdong Construction Investment Corporation is an investment and financing platform established by the Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會).

19 Citigroup Global Markets Limited has agreed to purchase 69,000,000 Shares as cornerstone investor under the Global Offering. Prior to the Listing Date, Citigroup Global Markets Limited have entered into a cash settled derivative transaction ("Derivative Transaction") with Huinong Fund International Investments Ltd. (惠農基金國際投資有限公司) ("Huinong"), pursuant to which Citigroup Global Markets Limited intend to transfer full economic exposure in 69,000,000 Shares to Huinong and, as such, Citigroup Global Markets Limited will have a short position in such number of Shares.

Citigroup Inc. holds voting rights in Citigroup Global Markets Limited through a chain of companies, namely, Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Bahamas Limited where it holds more than one-third of their voting rights (Citigroup Inc., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Bahamas Limited are together referred to as the "Citigroup Entities"). By virtue (and for the purposes) of Part XV of the SFO, the Citigroup Entities will be deemed to be interested (both long and short positions) in the 69,000,000 Shares which Citigroup Global Markets Limited holds after completion of the Global Offering.

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Citigroup Financial Products Inc.	Interest of a Controlled Corporation / Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Citigroup Global Markets Holdings Inc.	Interest of a Controlled Corporation / Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Citigroup Inc.	Interest of a Controlled Corporation / Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Huinong Fund International Investments Ltd. (惠農基金國際投資有限公司)	Other	H Shares[20]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Ningbo Huinong Gangwan Equity Investment Partnership (L.P.) (寧波惠農港灣股權投資合夥企業(有限合夥))	Interest of a Controlled Corporation	H Shares[20]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Shenzhen Ronghui Xincheng Investment Co., Ltd. (深圳融惠信誠投資管理有限公司)	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55

20 Citigroup Global Markets Limited entered into the Derivative Transaction with Huinong prior to the Listing Date, pursuant to which Citigroup Global Markets Limited has transferred its full economic exposure in the 69,000,000 Shares purchased by it as a cornerstone investor to Huinong. Huinong is a wholly-owned special investment vehicle of Ningbo Huinong Gangwan Equity Investment Partnership (L.P.) (寧波惠農港灣股權投資合夥企業(有限合夥)) ("Ningbo Gangwan Equity"). Therefore, each of Huinong and Ningbo Gangwan Equity is deemed to be interested in the 69,000,000 Shares by virtue of SFO.

21 Pursuant to the Derivative Transaction, Huinong and Ningbo Gangwan Equity are deemed to be interested (both long and short positions) in the Shares which Citigroup Global Markets Limited holds after completion of the Global Offering. Ningbo Gangwan Equity is owned as to 0.1% by Shenzhen Ronghui Xincheng Investment Co., Ltd.(深圳融惠信誠投資管理有限公司) ("Shenzhen Ronghui") as the general partner and as to 99.9% by Beijing Huinong Investment Fund (L.P.) (北京惠農投資基金(有限合夥)) ("Beijing Huinong") as the limited partner. Shenzhen Ronghui is wholly-owned by Beijing Shang Finance Management Co., Ltd (北京尚融資本管理有限公司) ("Shang Finance"), which is owned as to, among others, 99.83% by WEI Lidong (尉立東). Beijing Huinong is owned as to, among others, 1% by Beijing Huinong Investment Management Center (L.P.) (北京惠農投資管理中心(有限合夥)) ("Beijing Huinong Investment Management Center"), which is owned as to, among others, 49% by Beijing CHNC Corporation (北京惠農資本管理有限公司)("CHNC") as the limited partner and as to 1% by Beijing Fengnong Investment Consulting Co., Ltd. (北京豐農投資諮詢有限公司) ("Beijing Fengnong") as the general partner. CHNC is owned as to, among others, 98% by Shang Finance. Beijing Fengnong is owned as to, among others, 99% by WEI Lidong (尉立東). Therefore, (i) Shenzhen Ronghui, (ii) Shang Finance, (iii) WEI Lidong (尉立東), (iv) Beijing Huinong, (v) Beijing Huinong Investment Management Center, (vi) CHNC and (vii) Beijing Fengnong are also deemed to be interested in all the Shares held by Citigroup Global Markets Limited.

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Beijing Shang Finance Management Co., Ltd (北京尚融資本管理有限公司)	Interest of a Controlled Corporation	H Shares[21, 22]	129,000,000	2.51	9.77	129,000,000	2.42	8.50
WEI Lidong (尉立東)	Interest of a Controlled Corporation	H Shares[21, 22]	129,000,000	2.51	9.77	129,000,000	2.42	8.50
Beijing Huinong Investment Fund (L.P.) (北京惠農投資基金(有限合夥))	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Beijing Huinong Investment Management Center (L.P.) (北京惠農投資管理中心(有限合夥))	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Beijing CHNC Corporation (北京惠農資本管理有限公司)	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Beijing Fengnong Investment Consulting Co., Ltd. (北京豐農投資諮詢有限公司)	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55

22 Tech Flourish Enterprises Limited (科茂企業有限公司), which holds 60,000,000 Shares, is wholly-owned by Shangrong Financial Holdings Co., Limited (尚融金融控股有限公司) ("Shangrong"). Shangrong is wholly-owned by Ningbo Gangwan Jinkong Equity Investment Limited Company (寧波港灣金控股權投資有限公司), which is in turn owned as to 90% by Shang Finance and as to 10% by CHNC. CHNC is in turn owned as to 98% by Shang Finance. Therefore, each of Shang Finance and its controlling shareholder, WEI Lidong (尉立東), is deemed to be interested in all the Shares held by Tech Flourish Enterprises Limited by virtue of SFO.

As of the Latest Practicable Date, our share capital is RMB3,941,931,900, which comprised 3,941,931,900 Domestic Shares, as set forth below.

Class	Number of Shares	Approximate percentage of share capital
Domestic Shares	3,941,931,900	100%

Immediately after completion of the Global Offering, but 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	3,821,931,900	74.33%
H Shares converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	120,000,000	2.33%
H Shares issued pursuant to the Global Offering	1,200,000,000	23.34%
Total Share Capital	5,141,931,900	100.00%

If 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	3,803,931,900	71.48%
H Shares converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	138,000,000	2.59%
H Shares issued pursuant to the Global Offering	1,380,000,000	25.93%
Total Share Capital	5,321,931,900	100.00%

OUR SHARES

Both Domestic Shares and H Shares are ordinary shares in the share capital of our Bank. However, apart from persons entitled to hold our H Shares pursuant to relevant PRC laws and regulations, or upon approval by relevant authorities, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC.

Under our Articles of Association, the rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the Shareholders' general meeting and by affected Shareholders at a separate class meeting. The circumstances deemed to be a variation or abrogation of the rights of a class are listed in Appendix V — "Summary of Articles of Association" to this prospectus. However, the special procedures for approval by classes of Shareholders do not apply: (i) where we issue, upon approval by a special resolution of the Shareholders at a general meeting, shares representing no more than 20% of each of the existing issued Domestic Shares and H Shares, either separately or concurrently within every 12 months; (ii) where our plan to issue Domestic Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval by the securities regulatory authorities of the State Council; or (iii) where the conversion of our unlisted shares for listing and trading overseas by our Shareholders upon the approval by the banking regulatory authorities and the securities regulatory authorities of the State Council. Domestic Shares and H Shares are regarded as different classes of shares under our Articles of Association.

RANKING

The differences between Domestic Shares and H Shares, and the provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set forth in our Articles of Association and summarized in Appendix V — "Summary of Articles of Association" to this prospectus.

Except for the differences above, Domestic Shares and H Shares will rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be declared in Renminbi and paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of shares.

SALE OF STATE-OWNED SHARES

Our state-owned Shareholders are required to transfer to the NSSF such number of Shares in aggregate equivalent to 10% of the number of Offer Shares actually issued by our Bank in accordance with the relevant PRC rules regarding disposal of state-owned shares. Pursuant to the Approval Reply on Relevant Matters concerning State-owned Shareholding Administration and Transfer issued by the MOF on September 7, 2015, the relevant number of shares in aggregate equivalent to 10% of the number of the Offer Shares to be issued by the Bank (being 120,000,000 H Shares before the exercise of the Over-allotment Option or 138,000,000 H Shares upon full exercise of the Over-allotment Option) held by our 63 state-owned Shareholders will be transferred to the NSSF, among which, the number of Domestic Shares that should have been transferred by Zhengzhou Finance Bureau (鄭州市財政局), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司), Zhengzhou Municipal Engineering Corporation (鄭州市市政工程總公司), Zhengzhou Municipal Facilities Maintenance & Construction Co. Ltd. (鄭州市市政設施維修建設有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) will be transferred by Zhengzhou Development and Investment Group Co. Ltd. (鄭州發展投資集團有限公司) on their behalves. At the time of the Listing, the aforesaid Domestic Shares will be converted into H Shares on a one-for-one basis.

The conversion of those state-owned Shares transferred by state-owned Shareholders to the NSSF into H Shares was approved by CSRC on October 15, 2015. Pursuant to a letter issued by the NSSF (Shebaojijinfa [2015] No. 176) on November 5, 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 issued 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. See "Structure of the Global Offering — The Selling Shareholders". We and our state-owned Shareholders will not receive any proceeds from the sale of Sale Shares. We have been advised by King &Wood Mallesons, our PRC legal advisor, that the conversion and sale described above have obtained the approval by CSRC and MOF and direction of NSSF pursuant to PRC laws.

CONVERSION OF OUR DOMESTIC SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the holders of our non-listed Shares (currently, all of our non-listed Shares are Domestic Shares) may convert such non-listed Shares they hold into overseas listed Shares. Such converted Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted Shares shall have been approved by the relevant authorities, including CSRC. In addition, such conversion and trading shall have completed any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant stock exchange.

If any Domestic Share is to be converted to H Shares and traded on the Hong Kong Stock Exchange, such conversion shall require the approval of the relevant PRC regulatory authorities, including CSRC. The listing and trading of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

Based on the procedures for the conversion of Domestic Shares into H Shares as disclosed below, we may apply for the listing of all or any portion of the Domestic Shares on the Hong Kong Stock Exchange as H Shares before any proposed conversion 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, it does not require such prior application for listing at the time of our initial Listing in Hong Kong.

No approval by separate class meeting is required for the Listing and trading of such 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 our Shareholders and the public of any proposed 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 China Securities Depository and Clearing Corporation Limited 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 on the conditions that (i) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange complies 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.

LOCK-UP PERIODS

Pursuant to the PRC Company Law, the Shares issued prior to any public offering of our Shares should not be transferred within a period of one year from the date on which our publicly offered Shares are listed on the relevant stock exchange. Accordingly, the Shares issued by our Bank prior to the Listing Date shall be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our Shareholders' general meeting and Shareholders' class meeting are required, please see paragraphs entitled "Notice of Meetings and Business to be Conducted Thereat" and "Change of Rights of Existing Shares or Classes of Shares" in Appendix V — "Summary of Articles of Association" to this prospectus.

You should read the discussion and analysis set forth in this section in conjunction with our historical financial information, together with the accompanying notes included in Appendix I — "Accountants' Report" to this prospectus. Our historical financial information has been prepared in accordance with IFRS.

ASSETS

Our total assets increased by 44.0% from RMB103,734 million at December 31, 2012 to RMB149,334 million at December 31, 2013, which in turn increased by 36.8% to RMB204,289 million at December 31, 2014. At June 30, 2015, our total assets amounted to RMB225,412 million. The principal components of our assets consist of (i) loans to customers (net) and (ii) investment securities and other financial assets (net), representing 37.3% and 40.3%, respectively, of our total assets at June 30, 2015. The following table sets forth, at the dates indicated, the components of our total assets.

	At December 31,						At 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 to customers	50,161		62,944		77,986		86,369	
Allowance for impairment losses	(1,008)		(1,408)		(1,760)		(2,294)	
Loans to customers, net	49,153	47.4%	61,536	41.2%	76,226	37.3%	84,075	37.3%
Investment securities and other financial assets								
Financial assets at fair value through profit or loss	6,705	6.5	7,990	5.4	10,967	5.4	15,167	6.7
Available-for-sale financial assets	2,914	2.8	596	0.4	3,965	1.9	1,968	0.9
Held-to-maturity investments	7,098	6.8	16,730	11.2	22,065	10.8	21,615	9.6
Loans and receivables	13,173	12.7	22,412	15.0	45,502	22.3	52,055	23.1
Subtotal	29,890	28.8	47,728	32.0	82,499	40.4	90,805	40.3
Cash and deposits with central bank	18,436	17.8	22,980	15.4	33,855	16.6	32,694	14.5
Deposits with banks and other financial institutions	2,084	2.0	6,196	4.1	1,835	0.9	3,245	1.4
Placements with banks and other financial institutions	—	—	886	0.6	—	—	1,862	0.8
Financial assets held under resale agreements	2,181	2.1	7,268	4.9	6,576	3.2	8,674	3.8
Other assets[1]	1,990	1.9	2,740	1.8	3,298	1.6	4,057	1.9
Total assets	**103,734**	**100.0%**	**149,334**	**100.0%**	**204,289**	**100.0%**	**225,412**	**100.0%**

(1) Consist of property and equipment, deferred tax assets, interest in associates, interest receivables, intangible assets, prepayments, leasehold improvements, and other receivables.

Loans to Customers

Loans to customers are one of the largest components of our assets. Our total loans to customers, net of allowance for impairment losses, represented 47.4%, 41.2%, 37.3% and 37.3% of our total assets at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. We provide a broad range of loan products to our customers through our head office, branches and sub-branches, substantially all of which are denominated in Renminbi. The following discussion is based on our gross loans to customers before taking into account the related allowance for impairment losses, rather than our net loans to customers. Our loans to customers are reported net of the allowance for impairment losses on our statements of financial position.

Our gross loans to customers increased by 25.5% from RMB50,161 million at December 31, 2012 to RMB62,944 million at December 31, 2013, which in turn increased by 23.9% to RMB77,986 million at December 31, 2014. At June 30, 2015, our gross loans to customers further increased to RMB86,369 million. The continued growth in our loans to customers is primarily attributable to the continued increase in our corporate loans, and, additionally, due to the continued expansion of our distribution network.

Distribution of Loans by Business Line

Our loans to customers consist primarily of corporate loans, personal loans and discounted bills. For a description of the loan products we offer, please see "Business — Our Principal Business". The following table sets forth, at the dates indicated, our loans to customers by business line.

	At December 31,						At 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	32,599	65.0%	43,408	69.0%	51,671	66.3%	58,427	67.6%
Personal loans	10,187	20.3	15,176	24.1	21,395	27.4	23,117	26.8
Discounted bills	7,375	14.7	4,360	6.9	4,920	6.3	4,825	5.6
Total loans to customers	**50,161**	**100.0%**	**62,944**	**100.0%**	**77,986**	**100.0%**	**86,369**	**100.0%**

Corporate Loans

Corporate loans are the largest component of our loan portfolio, representing 65.0%, 69.0%, 66.3% and 67.6% of our total loans to customers at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Distribution of Corporate Loans by Contract Maturity

The following table sets forth, at the dates indicated, the distribution of our corporate loans by contract maturity.

	At December 31,						At 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[(1)]	28,675	88.0%	39,543	91.1%	40,520	78.4%	44,290	75.8%
Medium- and long-term loans[(2)]	3,924	12.0	3,865	8.9	11,151	21.6	14,137	24.2
Total corporate loans	**32,599**	**100.0%**	**43,408**	**100.0%**	**51,671**	**100.0%**	**58,427**	**100.0%**

(1) Consists of loans with contract maturities of up to one year.

(2) Consists of loans with contract maturities of more than one year.

Short-term loans has historically been a primary component of our corporate loans, representing 88.0%, 91.1%, 78.4% and 75.8% of our total corporate loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our short-term corporate loans increased by 37.9% from RMB28,675 million at December 31, 2012 to RMB39,543 million at December 31, 2013, which in turn increased by 2.5% to RMB40,520 million at December 31, 2014. At June 30, 2015, our short-term corporate loans further increased to RMB44,290 million. Short-term corporate loans constitute a significant majority of our corporate loans, and have continued to increase in absolute amounts, primarily attributable to an increase in our working capital loans to small and micro enterprises with contract maturities of up to one year.

Medium- and long-term loans represented 12.0%, 8.9%, 21.6% and 24.2% of our total corporate loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our medium- and long-term corporate loans remained effectively stable at RMB3,924 million and RMB3,865 million at December 31, 2012 and 2013, respectively. Our medium- and long-term corporate loans almost tripled from RMB3,865 million at December 31, 2013 to RMB11,151 million at December 31, 2014. At June 30, 2015, our medium- and long-term corporate loans further increased to RMB14,137 million, representing a 26.8% increase as compared to December 31, 2014. The increase in our medium- and long-term corporate loans from December 31, 2013 to June 30, 2015 primarily reflected our efforts to balance the maturity mix of our corporate loan portfolio by growing our medium- and long-term corporate loans with relatively higher yields subject to our liquidity management.

Distribution of Corporate Loans by Industry

Our corporate loans consist of loans to customers in a broad range of industries. The following table sets forth, at the dates indicated, the distribution of our corporate loans by industry classification.

	At December 31,						At 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	10,790	33.1%	16,667	38.3%	16,945	32.8%	19,992	34.2%
Manufacturing	8,851	27.2	11,562	26.6	12,801	24.8	13,782	23.6
Real estate	2,663	8.2	2,130	4.9	4,697	9.1	6,556	11.2
Construction	4,104	12.6	5,538	12.8	5,572	10.8	5,451	9.3
Agriculture, forestry, animal husbandry and fishery	1,078	3.3	1,948	4.5	2,078	4.0	2,333	4.0
Mining	875	2.7	1,156	2.7	1,538	3.0	2,074	3.5
Accommodation and catering	597	1.8	807	1.9	931	1.8	1,168	2.0
Transportation, storage and postal services	464	1.4	634	1.5	1,171	2.3	1,029	1.8
Production and supply of electric and heating power, gas and water	809	2.5	674	1.6	743	1.4	994	1.7
Leasing and commercial services	1,123	3.4	987	2.3	1,209	2.3	912	1.6
Others[(1)]	1,245	3.8	1,305	2.9	3,986	7.7	4,136	7.1
Total corporate loans	**32,599**	**100.0%**	**43,408**	**100.0%**	**51,671**	**100.0%**	**58,427**	**100.0%**

(1) Consists primarily of (i) information transmission, software and information technology services, (ii) financial services, (iii) scientific studies and technology services, (iv) water, environment and public utilities management, (v) residential services, maintenance and other services, (vi) education, (vii) health and social services, and (viii) culture, sports and entertainment.

The aggregate amount of loans to our borrowers in the (i) wholesale and retail, (ii) manufacturing, (iii) real estate, (iv) construction, and (v) agriculture, forestry, animal husbandry and fishery industries, which were the five largest industries in terms of our aggregate loan exposure at June 30, 2015, together represented 84.4%, 87.1%, 81.5% and 82.3% of our total corporate loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Loans to corporate borrowers in the wholesale and retail industry are the largest component of our corporate loans, representing 33.1%, 38.3%, 32.8% and 34.2% of our total corporate loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The relatively large percentages of loans to corporate borrowers in the wholesale and retail industry in our total corporate loan portfolio were primarily due to our efforts to cater to the increasing financing needs from the rapidly growing wholesale and retail industry in Henan Province. Our loans to corporate borrowers in the wholesale and retail industry increased by 54.5% from RMB10,790 million at December 31, 2012 to RMB16,667 million at December 31, 2013, primarily reflecting our increased credit support to this industry. Our loans to corporate borrowers in the wholesale and retail industry remained effectively stable at RMB16,667 million and RMB16,945 million at December 31, 2013 and 2014, respectively, primarily reflecting our efforts to moderate our credit exposure to certain corporate customers in the wholesale industry and, in particular, our credit exposure to certain small and micro enterprises in the wholesale and retail industry. Our loans to corporate borrowers in this industry increased to RMB19,992 million at June 30, 2015, representing 34.2% of our total corporate loans, which remained relatively stable as compared to 32.8% at December 31, 2014.

Loans to corporate borrowers in the manufacturing industry is the second largest component of our corporate loans, representing 27.2%, 26.6%, 24.8% and 23.6%, of our total corporate loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our loans to corporate borrowers in the manufacturing industry increased by 30.6% from RMB8,851 million at December 31, 2012 to RMB11,562 million at December 31, 2013, which in turn increased by 10.7% to RMB12,801 million at December 31, 2014. Our loans to corporate borrowers in the manufacturing industry further increased to RMB13,782 million at June 30, 2015. The relatively large percentage of our loans to corporate borrowers in the manufacturing industry in our total corporate loan portfolio and the continued increase in the absolute amount of these loans were primarily attributable to the robust financing demands from the growing manufacturing industry in Henan Province. The slowdown of the growth in our loans to corporate borrowers in the manufacturing industry in 2014 primarily reflected our risk management efforts in light of the increased risks in this industry.

Loans to corporate borrowers in the real estate industry decreased, both in absolute terms and as a percentage of our total corporate loans, from RMB2,663 million and 8.2% at December 31, 2012 to RMB2,130 million and 4.9% at December 31, 2013, respectively, primarily as a result of our conservative credit policies to the real estate industry in light of the cool-down of the housing markets in China. Loans to corporate borrowers in the real estate industry increased, both in absolute terms and as a percentage of our total corporate loans, from RMB2,130 million and 4.9% at December 31, 2013 to RMB4,697 million and 9.1% at December 31, 2014. Our loans to corporate borrowers in the real estate industry further increased to RMB6,556 million at June 30, 2015, representing 11.2% of our total corporate loans. The increase in our loans to corporate borrowers in the real estate industry from December 31, 2013 to June 30, 2015 resulted primarily from changes in our credit policies to the real estate industry to provide moderate credit support to real properties in prime locations, our valued corporate customers and high-quality projects, which were nevertheless subject to our prudent risk management measures, as a result of our reassessment of the real estate industry in Henan Province.

Distribution of Corporate Loans by Size of Corporate Borrowers

The following table sets forth, at the dates indicated, distribution of our corporate loans by size of borrowers.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Large enterprises[(1)]	3,891	11.9%	5,555	12.8%	8,295	16.1%	9,132	15.6%
Medium-sized enterprises[(1)]	11,111	34.1	15,382	35.4	13,823	26.7	15,960	27.3
Small and micro enterprises[(1)]	17,597	54.0	22,471	51.8	29,553	57.2	33,335	57.1
Total corporate loans	**32,599**	**100.0%**	**43,408**	**100.0%**	**51,671**	**100.0%**	**58,427**	**100.0%**

(1) The classification criteria for large, medium, small and micro enterprises are set forth in the Provisions on the Classification Standards of Small and Medium Enterprises.

Our loans to small and micro enterprises increased by 27.7% from RMB17,597 million at December 31, 2012 to RMB22,471 million at December 31, 2013, which in turn increased by 31.5% to RMB29,553 million at December 31, 2014. Our loans to small and micro enterprises further increased to RMB33,335 million at June 30, 2015, representing 57.1% of our total corporate loans. The continued increase in our loans to small and micro enterprises reflected our continued efforts to grow our small and micro enterprise loan business.

Our loans to large and medium-sized enterprises increased by 39.6% from RMB15,002 million at December 31, 2012 to RMB20,937 million at December 31, 2013, which in turn increased by 5.6% to RMB22,118 million at December 31, 2014. At June 30, 2015, our loans to large and medium-sized enterprises further increased to RMB25,092 million, representing 42.9% of our total corporate loans. The continued increase in our loans to large and medium-sized enterprises primarily attributable to our stable large and medium-sized corporate customer base.

Distribution of Corporate Loans by Exposure Size

The following table sets forth, at the dates indicated, distribution of our corporate loan exposure to borrowers by size.

	At December 31,						At 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 RMB10 million	8,001	24.5%	12,839	29.6%	12,530	24.2%	14,453	24.7%
Over RMB10 million to RMB30 million	5,089	15.6	7,937	18.3	8,628	16.7	9,778	16.7
Over RMB30 million to RMB50 million	4,072	12.5	4,035	9.3	3,716	7.2	4,550	7.8
Over RMB50 million to RMB100 million	5,859	18.0	5,885	13.5	6,467	12.5	6,512	11.2
Over RMB100 million to RMB500 million	9,578	29.4	12,712	29.3	18,595	36.0	21,946	37.6
Over RMB500 million	—	—	—	—	1,735	3.4	1,188	2.0
Total corporate loans	**32,599**	**100.0%**	**43,408**	**100.0%**	**51,671**	**100.0%**	**58,427**	**100.0%**

Corporate loans over RMB100 million up to RMB500 million have historically been a major component of our corporate loans. These loans amounted to RMB9,578 million, RMB12,712 million, RMB18,595 million and RMB21,946 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, representing 29.4%, 29.3%, 36.0% and 37.6% of our total corporate loans at the same dates, respectively. The relatively large percentage of these loans in our total corporate loans and continued increase in absolute amounts were primarily attributable to our stable large and medium-sized corporate customer base.

Corporate loans up to RMB10 million is another major component of our corporate loans. These loans amounted to RMB8,001 million, RMB12,839 million, RMB12,530 million and RMB14,453 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, representing 24.5%, 29.6%, 24.2% and 24.7% of our total corporate loans at the corresponding dates, respectively. These loans increased substantially in line with the overall growth in our corporate loan portfolio. The significant increase in these loans at December 31, 2013 primarily reflected our adequate funding for loans to small and micro enterprises following our issuance of financial bonds for SME loans in 2013.

Personal Loans

Personal loans increased, as a percentage of our total loans to customers, from 20.3% at December 31, 2012 to 24.1% at December 31, 2013, which in turn increased to 27.4% at December 31, 2014. In absolute amounts, our personal loans increased by 49.0% from RMB10,187 million at December 31, 2012 to RMB15,176 million at December 31, 2013, which in turn increased by 41.0% to RMB21,395 million at December 31, 2014. At June 30, 2015, our personal loans further increased to RMB23,117 million, representing 26.8% of our total loans to customers. The continued increase in our personal loans was primarily attributable to an increase in our personal business loans, reflecting our increased credit support to small business owners.

Distribution of Personal Loans by Product Type

The table below sets forth, at the dates indicated, our personal loans by product type.

	At December 31,						At 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	4,962	48.7%	8,977	59.2%	11,352	53.1%	12,624	54.6%
Residential mortgage loans	3,153	31.0	3,583	23.6	6,047	28.3	6,153	26.6
Personal consumption loans	922	9.0	1,519	10.0	2,823	13.2	3,101	13.4
Auto loans	1,149	11.3	1,097	7.2	1,105	5.1	972	4.2
Credit card balance	—	—	—	—	68	0.3	267	1.2
Others	1	—	—	—	—	—	—	—
Total personal loans	**10,187**	**100.0%**	**15,176**	**100.0%**	**21,395**	**100.0%**	**23,117**	**100.0%**

Our personal business loans consist of loans extended to small and micro business owners to fund their business operations. Personal business loans are the largest component of our personal loans, representing 48.7%, 59.2%, 53.1% and 54.6% of our personal loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our personal business loans increased by 80.9% from RMB4,962 million at December 31, 2012 to RMB8,977 million at December 31, 2013, which in turn increased by 26.5% to RMB11,352 million at December 31, 2014. At June 30, 2015, our personal business loans further increased to RMB12,624 million. The continued increase in our personal business loans was primarily due to our efforts to grow this business and the expansion of our distribution network. Personal business loans represented a relatively large percentage of our total personal loans at December 31, 2013, primarily due to our increased funds available for loans to small business owners from the proceeds of our special financial bonds for SME loans issued in 2013.

Residential mortgage loans represented 31.0%, 23.6%, 28.3% and 26.6% of our personal loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our residential mortgage loans increased by 13.6% from RMB3,153 million at December 31, 2012 to RMB3,583 million at December 31, 2013, which in turn increased by 68.8% to RMB6,047 million at December 31, 2014, primarily reflecting our efforts to grow our residential mortgage loan business, which is of relatively low credit risk, and, in particular, our increased credit extensions in 2014 in light of the relatively high market interest rates on residential mortgage loans. Our residential mortgage loans remained effectively stable at RMB6,153 million at June 30, 2015.

Personal consumption loans consist primarily of loans granted to our retail customers to finance their personal consumption spending, representing 9.0%, 10.0%, 13.2% and 13.4% of our personal loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our personal consumption loans increased by 64.8% from RMB922 million at December 31, 2012 to RMB1,519 million at December 31, 2013, which in turn increased by 85.8% to RMB2,823 million at December 31, 2014. At June 30, 2015, our personal consumption loans further increased to RMB3,101 million. The continued increases in these loans resulted primarily from our continued efforts to grow our personal consumption loan business and our introduction of new personal consumption loan products.

Distribution of Personal Loans by Exposure Size

The following table sets forth, at the dates indicated, our outstanding personal loans by exposure size to single retail borrower.

	At December 31,						At 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 RMB50,000	143	1.4%	103	0.7%	233	1.1%	505	2.2%
Over RMB50,000 to RMB300,000	2,906	28.5	3,559	23.5	4,362	20.4	4,158	18.0
Over RMB300,000 to RMB1 million	2,569	25.2	3,691	24.3	7,125	33.3	7,798	33.7
Over RMB1 million to RMB5 million	2,711	26.6	5,036	33.2	6,457	30.2	6,786	29.4
Over RMB5 million	1,858	18.3	2,787	18.3	3,218	15.0	3,870	16.7
Total personal loans	**10,187**	**100.0%**	**15,176**	**100.0%**	**21,395**	**100.0%**	**23,117**	**100.0%**

Personal loans up to RMB300,000 amounted to RMB3,049 million, RMB3,662 million, RMB4,595 million and RMB4,663 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, representing 29.9%, 24.2%, 21.5% and 20.2% of our total personal loans at the same dates, respectively. The decrease in our personal loans up to RMB300,000 as a percentage of total personal loans was primarily due to a decrease in our auto loans as a result of decreased market demands.

Our personal loans over RMB300,000 up to RMB1 million increased by 43.7% from RMB2,569 million at December 31, 2012 to RMB3,691 million at December 31, 2013, which in turn increased by 93.0% to RMB7,125 million at December 31, 2014. At June 30, 2015, these loans further increased to RMB7,798 million. These loans represented 25.2%, 24.3%, 33.3% and 33.7% of our total personal loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The increase in these personal loans was primarily due to our efforts to grow our residential mortgage loans, which are generally over RMB300,000 up to RMB1 million.

Discounted Bills

Discounted bills represented 14.7%, 6.9%, 6.3% and 5.6% of our total loans to customers at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

The following table sets forth, at the dates indicated, our discounted bills by type of obligor.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Bank acceptance bills	7,375	100.0%	4,272	98.0%	3,948	80.2%	4,061	84.2%
Commercial acceptance bills	—	—	88	2.0	972	19.8	764	15.8
Total discounted bills	**7,375**	**100.0%**	**4,360**	**100.0%**	**4,920**	**100.0%**	**4,825**	**100.0%**

Discounted bills decreased by 40.9% from RMB7,375 million at December 31, 2012 to RMB4,360 million at December 31, 2013, primarily due to a 42.1% decrease in our bank acceptance bills. Our discounted bills increased by 12.8% from RMB4,360 million at December 31, 2013 to RMB4,920 million at December 31, 2014, primarily due to a significant increase in commercial acceptance bills. Our discounted bills remained effectively stable at RMB4,825 million at June 30, 2015.

Bank acceptance bills represented 100.0%, 98.0%, 80.2% and 84.2% of our total discounted bills at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Bank acceptance bills decreased by 42.1% from RMB7,375 million at December 31, 2012 to RMB4,272 million at December 31, 2013, which in turn decreased by 7.6% to RMB3,948 million at December 31, 2014, primarily as a result of our rediscounting of certain bank acceptance bills to other banks to manage the overall growth in the size of our loans to customers. Bank acceptance bills remained effectively stable at RMB4,061 million at June 30, 2015.

Commercial acceptance bills represented nil, 2.0%, 19.8% and 15.8% of our total discounted bills at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Commercial acceptance bills increased significantly, both in absolute terms and as a percentage of our total discounted bills, from RMB88 million and 2.0% at December 31, 2013 to RMB972 million and 19.8% at December 31, 2014, primarily due to the growth of our trade finance business. Our commercial acceptance bills decreased to RMB764 million at June 30, 2015, primarily due to our more conservative credit policy for commercial acceptance bill discounting business in light of the economic downturn.

Distribution of Loans by Geographical Region

We classify loans geographically based on the location of the branch or sub-branch that originated the loans. Our branches and sub-branches generally originate loans to borrowers located in the same geographical areas. The following table sets forth, at the dates indicated, the distribution of our loan portfolio by geographical region.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Zhengzhou	47,204	94.1%	56,742	90.1%	69,066	88.6%	76,122	88.1%
Other regions[(1)]	2,957	5.9	6,202	9.9	8,920	11.4	10,247	11.9
Total loans to customers	**50,161**	**100.0%**	**62,944**	**100.0%**	**77,986**	**100.0%**	**86,369**	**100.0%**

(1) Consists of loans to customers originated by our branches and sub-branches in Nanyang, Xinxiang, Luoyang, Anyang, Shangqiu and Xuchang.

We operate our loan business primarily in Zhengzhou. Our loans to customers originated in Zhengzhou represented 94.1%, 90.1%, 88.6% and 88.1% of our total loans to customers at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our loans to customers originated in Zhengzhou increased by 20.2% from RMB47,204 million at December 31, 2012 to RMB56,742 million at December 31, 2013, which in turn increased by 21.7% to RMB69,066 million at December 31, 2014. At June 30, 2015, our loans to customers originated in Zhengzhou further increased to RMB76,122 million. The continued increase in our loans to customers originated in Zhengzhou primarily reflected our overall business growth and the expansion of our distribution network in Zhengzhou.

We opened a Nanyang branch in 2011, Xinxiang and Luoyang branches in 2013 and Anyang, Shangqiu and Xuchang branches in 2014. Our loans to customers originated by branches and sub-branches in these cities represented 5.9%, 9.9%, 11.4% and 11.9% of our total loans to customers at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Distribution of Loans by Collateral

Loans secured by mortgages, pledges, or guarantees represented, in aggregate, 99.4%, 97.9%, 96.8% and 98.9% of our total loan portfolio at 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 following table sets forth, at the dates indicated, the distribution of our loan portfolio by the type of collateral.

	At December 31,						At 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 secured by mortgages(1)(2)	13,592	27.1%	17,031	27.1%	23,527	30.2%	27,100	31.4%
Loans secured by pledges(1)(3)	16,420	32.7	17,268	27.4	16,969	21.8	22,515	26.1
Guaranteed loans(1)	19,843	39.6	27,349	43.4	34,957	44.8	35,798	41.4
Unsecured loans	306	0.6	1,296	2.1	2,533	3.2	956	1.1
Total loans to customers	**50,161**	**100.0%**	**62,944**	**100.0%**	**77,986**	**100.0%**	**86,369**	**100.0%**

(1) Represents the total amount of loans wholly or partly secured by collateral in each category.

(2) Represents security interests in certain assets other than monetary assets, such as buildings and fixtures, construction in progress, land use rights, machines, equipment and vehicles, without taking possession.

(3) Represents security interests in intangible assets or monetary assets, such as movable assets, certificates of deposit, financial instruments and interests in future cash flows, by taking possession of or registering against such assets.

Loans to customers secured by mortgages remained effectively stable, as a percentage of our loan portfolio, at 27.1% at December 31, 2012 and 2013. Loans to customers secured by mortgages increased as a percentage of our loan portfolio to 30.2% at December 31, 2014, which further increased to 31.4% at June 30, 2015. These loans amounted to RMB13,592 million, RMB17,031 million, RMB23,527 million and RMB27,100 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The increase in our loans to customers secured by mortgages, both in absolute terms and as a percentage of our loan portfolio, was primarily due to our increased preference for loans secured by mortgages to lower our credit risk.

Loans secured by pledges remained relatively stable at RMB16,420 million, RMB17,268 million and RMB16,969 million at December 31, 2012, 2013 and 2014, respectively. Our loans secured by pledges increased to RMB22,515 million at June 30, 2015, representing 26.1% of our total loans to customers, primarily attributable to a growth in our letters of credit business.

Guaranteed loans increased, both in absolute terms and as a percentage of our total loan portfolio, from RMB19,843 million and 39.6% at December 31, 2012 to RMB27,349 million and 43.4% at December 31, 2013, which in turn increased to RMB34,957 million and 44.8% at December

31, 2014, primarily due to an increase in our loans to small and micro enterprises, a majority of which were secured by guarantees. Our guaranteed loans further increased to RMB35,798 million at June 30, 2015, representing 41.4% of our total loans to customers.

Unsecured loans amounted to RMB306 million, RMB1,296 million, RMB2,533 million and RMB956 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our unsecured loans are granted only to corporate customers with AAA credit ratings and retail customers with AA or higher credit ratings based on our internal credit rating system. Please see "Risk Management — Credit Risk Management — Credit Risk Management for Corporate Loans — Customer Applications and Pre-loan Review — Credit Rating of Customers" and "Risk Management — Credit Risk Management — Credit Risk Management for Small Business and Personal Loans — Customer Applications and Pre-Loan Investigation — Credit Rating of Customers".

Borrowers Concentration

In accordance with the applicable PRC banking laws and regulations, we are subject to a lending limit of 10% of our regulatory capital to any single borrower. Please see "Supervision and Regulation — Other Operational and Risk Management Ratios". The following table sets forth, at the date indicated, our loans to the ten largest single borrowers, all of which were classified as normal at that date.

	At June 30, 2015				
	Industry	**Amount**	**% of total loans**	**% of regulatory capital(1)**	**Classification**
	(in millions of RMB, except percentages)				
Borrower A	Public administration, social security and social organizations	600	0.7%	3.85%	Normal
Borrower B	Manufacturing	588	0.7	3.77	Normal
Borrower C	Transportation, storage and postal services	500	0.6	3.21	Normal
Borrower D	Mining	500	0.6	3.21	Normal
Borrower E	Public administration, social security and social organizations	490	0.6	3.14	Normal
Borrower F	Manufacturing	429	0.5	2.75	Normal
Borrower G	Real estate	420	0.5	2.70	Normal
Borrower H	Real estate	380	0.4	2.44	Normal
Borrower I	Production and supply of electric and heating power, gas and water	379	0.4	2.43	Normal
Borrower J	Mining	330	0.4	2.12	Normal
Total................		**4,616**	**5.4%**	**29.62%**	

(1) Represents loan balance as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Administrative Measures and based on our financial statements prepared in accordance with PRC GAAP. For the calculation of our regulatory capital at June 30, 2015, please see "Financial Information — Capital Resources — Capital Adequacy".

In accordance with the applicable PRC banking guidelines, we are subject to a credit limit of 15% of our regulatory capital to any single group customer. The following table sets forth, at the date indicated, our credit exposure to our ten largest group customers.

	At June 30, 2015		
	Industry	**Amount[(1)]**	**% of regulatory capital[(2)]**
	(in millions of RMB, except percentages)		
Group A	Transportation, storage and postal services	1,000	6.42%
Group B	Manufacturing	786	5.04
Group C	Real estate	756	4.85
Group D	Wholesale and retail	698	4.48
Group E	Wholesale and retail	683	4.38
Group F	Real estate	600	3.85
Group G	Public administration, social security and social organizations	600	3.85
Group H	Manufacturing	511	3.28
Group I	Real estate	500	3.21
Group J	Manufacturing	497	3.19
Total		**6,631**	**42.55%**

(1) Represents credit exposure net of margin deposits, certificates of deposit and PRC government bonds pledged by the respective group. Single corporate customers are not classified as groups.

(2) Represents credit exposure as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Administrative Measures and based on our financial statements prepared in accordance with PRC GAAP. For the calculation of our regulatory capital at June 30, 2015, please see "Financial Information — Capital Resources — Capital Adequacy".

The following table sets forth, at the date indicated, our credit exposure to our ten largest single customers.

	At June 30, 2015		
	Industry	**Amount[(1)]**	**% of regulatory capital[(2)]**
	(in millions of RMB, except percentages)		
Customer A	Water, environment and public utilities management	1,000	6.42%
Customer B	Real estate	890	5.71
Customer C	Real estate	850	5.45
Customer D	Wholesale and retail	700	4.49
Customer E	Public administration, social security and social organizations	600	3.85
Customer F	Construction	500	3.21
Customer G	Wholesale and retail	500	3.21
Customer H	Construction	500	3.21
Customer I	Manufacturing	500	3.21
Customer J	Wholesale and retail	500	3.21
Total		**6,540**	**41.97%**

(1) Represents credit exposure net of margin deposits, certificates of deposit and PRC government bonds pledged by the respective customer.

(2) Represents credit exposure as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Administrative Measures and based on our financial statements prepared in accordance with PRC GAAP. For the calculation of our regulatory capital at June 30, 2015, please see "Financial Information — Capital Resources — Capital Adequacy".

Maturity Profile of Loan Portfolio

The following table sets forth, at the date indicated, our loan products by remaining maturity.

	At June 30, 2015				
	Due in 1 year or less	Due between 1 to 5 years	Due more than 5 years	Overdue[(1)]	Total
	(in millions of RMB)				
Corporate loans					
Short-term loans	41,717	—	—	2,573	44,290
Medium- and long-term loans	3,002	10,038	82	1,015	14,137
Subtotal	44,719	10,038	82	3,588	58,427
Personal loans					
Personal business loans	10,884	657	1,014	69	12,624
Residential mortgage loans	5	87	6,060	1	6,153
Personal consumption loans	3,039	47	—	15	3,101
Auto loans	110	862	—	—	972
Credit card balances	266	—	—	1	267
Others	—	—	—	—	—
Subtotal	14,304	1,653	7,074	86	23,117
Discounted bills					
Bank acceptance bills	4,061	—	—	—	4,061
Commercial acceptance bills	764	—	—	—	764
Subtotal	4,825	—	—	—	4,825
Total loans to customers	**63,848**	**11,691**	**7,156**	**3,674**	**86,369**

(1) Represents the principal amount of loans on which principal or interest is overdue.

At June 30, 2015, 73.9% of our loans to customers had remaining maturities of less than one year, most of which were short-term corporate loans. At June 30, 2015, 76.5% of our corporate loans had remaining maturities of less than one year, most of which were short-term working capital loans. At June 30, 2015, 61.9% of our personal loans had remaining maturities of less than one year, most of which were short-term personal business loans, and 30.6% of our personal loans had remaining maturities of more than five years, most of which were residential mortgage loans.

Loan Interest Rate Profile

In recent years, PBoC has implemented a series of initiatives to gradually liberalize interest rates and move towards a more market-based interest rate regime. In July 2013, PBoC removed the floor rates on Renminbi-denominated loans (except for interest rates on residential mortgage loans) and allowed commercial banks in China to set interest rates on loans based on commercial considerations. As of June 30, 2015, our personal consumption loans with contract maturities of less than one year generally had fixed interest rates. Loans with contract maturities of over one year and loans to finance business operations generally had floating interest rates. For loans to finance business operations with floating interest rates, we generally reset our interest rates upon the adjustments in PBoC benchmark interest rates. For other personal loans with floating interest rates, we generally reset our interest rates on January 1 following an adjustment in PBoC benchmark interest rates.

Interest rates for residential mortgage loans have been set at no less than 70% of PBoC benchmark lending rates since October 27, 2008; interest rates for residential mortgage loans to second-home buyers are required to be no less than 110% of PBoC benchmark lending rates since April 17, 2010. Please see "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits".

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loans to customers through our loan classification system. Pursuant to the Guidelines on Risk-Based Classification of Loans (《貸款風險分類指引》) published by CBRC on July 3, 2007, the principal determination in classifying a loan should be based on the assessment of the repayment ability of the borrower. We classify our loans using a five-category loan classification system, which complies with the CBRC's guidelines. Please see "Supervision and Regulation — Loan Classification, Allowances and Write-offs — Loan Classification".

Loan Classification Criteria

In determining the classification of our loan portfolio, we apply a series of criteria that are derived from the CBRC guidelines. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on the loan.

Corporate Loans (Excluding Loans to Small and Micro Enterprises) and Discounted bills

Our loan classification criteria for corporate loans (excluding loans to small and micro enterprises) and discounted bills focus on a number of factors, to the extent applicable, including (i) the borrower's ability to repay the loan, based on such factors as the borrower's cash flows, financial condition, profitability and other, non-financial factors affecting the borrower's repayment ability; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the profitability of the project financed by our loans; (v) the net realizable value of any collateral and the prospect for support from any guarantor; and (vi) the enforceability of our claims. The key factors for each loan classification are listed below. This is not intended to be a complete list of all factors taken into account in classifying our loans. Please see "Risk Management — Credit Risk Management — Credit Management for Corporate Loans — Post-disbursement Management".

Normal. Loans are classified as normal only if the borrower can honor the terms of its loans and there is no sufficient reason to doubt its ability to repay principal and interest in full on a timely basis. Loans classified as normal generally demonstrate the following characteristics:

- neither the principal nor the interest is overdue;
- the borrower's production and business are stable;
- the borrower's cash flows from normal business activities are stable and sufficient to service the loan;
- the borrower's loan documents are complete and valid; and
- the borrower has strong financing ability, and is in a business of good prospect.

Special Mention. Loans should be classified as special mention if the borrower is able to service its loans currently, although repayment may be adversely affected by specific factors, such as:

- the principal of or interest on the loan is overdue up to 90 days;
- the borrower is suspected to seek to evade its repayment obligations to banks through mergers and acquisitions, reorganization or spin-offs in bad faith, or other factors that could affect its repayment obligation, although principal and interest payments are still current;
- the borrower has used the loan proceeds for the purpose inconsistent with the intended use of the proceeds;
- the borrower's certain other debt due to us or other banks has become non-performing;
- the loan was extended in violation of applicable laws or regulations;
- adverse developments in the collateral of the loan, such as substantial decrease in the value of the collateral, or the collateral is disposed of without our consent, or the security is invalid because the formality of the security is incomplete, or the guarantor's capability or willingness to provide guarantee is substantially weakened;
- there have been adverse changes in the macro-economic environment, industry, markets, technology or products, or material adverse changes in construction conditions, technologies or product markets with respect to the project funded by the loan, although the borrower's repayment ability remains unaffected;
- there have been decreases in the borrower's operating income or profit, or adverse changes to its key financial indicators, or indications of its unwillingness to cooperate with us;
- there are major operation or management issues of the borrower, and the borrower's ability to honor its obligations may be adversely affected by a corporate reorganization or restructuring;

- there have been major discords among the borrower's senior management, or changes in the health or other conditions of key executives that may be adverse to the borrower's repayment ability;
- there have been material changes in the borrower's substantial shareholders, affiliated entities or parent or subsidiaries that are adverse to the repayment of the loan;
- our loan file is incomplete and the missing documents may affect our ability to enforce the collection of the loans; or
- there are other major events that may affect the repayment of the loan, such as the involvement by the borrower in lawsuits.

Substandard. Loans should be classified as substandard if the borrower's ability to service its loans is in question as it cannot rely entirely on normal business revenues to repay principal and interest, and losses may ensue even when collateral or guarantees are invoked. Loans are generally classified as substandard if any of the following circumstances arises:

- the principal of or interest on the loan is overdue for over 90 days up to 180 days, or is overdue for over 180 days up to 360 days with sufficient collateral;
- the loan requires restructuring because of the borrower's deteriorated financial condition or inability to pay;
- the borrower obtained the loan through unfair practices, such as concealing material facts, or has poor credit records;
- the borrower has to repay the loan through foreclosure on collateral or making claims against the guarantor;
- there have been significant adverse changes to the borrower's financial or other conditions;
- the collateral is insufficient to repay the principal of and interest on the loan or the guarantor becomes lack of willingness to provide guarantee and refuses to cooperate;
- the borrower has used the proceeds of the loan for purposes other than the intended use, which may adversely affect its repayment;
- the borrower lacks willingness to repay the loan and demonstrates apparent intention to evade payment;
- the loan files are incomplete and certain key documentations are missing, which may adversely affect our ability to enforce the collection of the loans; or
- we have brought legal actions to recover the loan.

Doubtful. Loans should be classified as doubtful if the borrower cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked. Loans in the doubtful category generally demonstrate the following characteristics:

- the principal of or the interest on the loan is overdue for over 180 days up to 360 days, or is overdue for over 360 days with sufficient collateral;
- there has been a decrease in the value of the collateral;
- the ultimate controller or key shareholder of the borrower is known to be missing, dead or bankrupt;
- the borrower has suspended, or is about to suspend, its operations, or has prepared for bankruptcy, or has become insolvent;
- the project funded by the loan is suspended or delayed due to shortage of funds, deteriorated business or legal claims;
- the borrower is known for evading repayments in bad faith and pursuing recovery is difficult; or
- the loan is still overdue or the borrower is still unable to repay the loan notwithstanding a restructuring of the loan.

Loss. Loans should be classified as loss if only a minimal portion or no principal and interest could be recovered after all possible measures have been taken and all legal remedies have been exhausted. Corporate loans classified as loss generally demonstrate the following characteristics:

- the borrower and the guarantor have declared bankruptcy or been dissolved or closed down, and terminated as a legal entity, or have terminated entire business or had their business licenses revoked, the loan thereof remains unpaid after the pursuit of recovery;
- serious natural disaster or unforeseen events have resulted in significant losses of the borrower without insurance coverage or the loan remains unpaid in full or in part even after payment on insurance claims and our pursuit of recovery;
- although the borrower's operations continue, there is no market for its products and the borrower has become insolvent, incurred significant losses and is about to fail, and the government has no plan to bail it out, and it has become clear that the borrower cannot honor its obligations;
- the borrower has violated the criminal law and is sanctioned in accordance with the law, and its assets are insufficient to repay its debts, and the loan remains unpaid after our pursuit of recovery;

- the loan remains unpaid even after the conclusion of a judicial proceeding with respect to the borrower and guarantor or the foreclosure on the collateral, as the borrower and guarantor has no assets for enforcement;
- the loan cannot be recovered through all possible methods and necessary legal proceedings, because the borrower refuses to confirm any documentation of our claim and the statute of limitation has lapsed;
- we have not signed a loan agreement, or the original loan agreement is missing, and the borrower refuses to recognize the loan regardless of our claim for repayment; or
- the loan remains unpaid after the enforcement by the court, or the court has ruled against us in full, or we failed to petition for enforcement by the court in the specified timeline upon winning the case, or no assets of the borrower are available for enforcement, or the loan cannot be enforced due to force majeure.

Loans that need to be restructured should be at least classified as substandard. Restructured loans refer to loans of which the repayment terms under the loan agreement amended due to the deterioration of the borrower's financial condition or the borrower's inability to repay the loan. A restructured loan should at least be classified as doubtful if it is still overdue after the restructuring, or the borrower is still unable to repay the loan after the restructuring.

Personal Business Loans and Loans to Small and Micro Enterprises

In applying the loan classification criteria to personal business loans and loans to small and micro enterprises, we primarily consider the length of time by which payments of principal or interest are overdue and the type of collateral. The following table sets forth the five-category classification of our personal business loans and loans to small and micro enterprises by time for which payments of principal or interest are overdue and type of collateral.

		Overdue by				
	Current	**1-30 days**	**31-90 days**	**91-180 days**	**181-360 days**	**Over 360 days**
Loans secured by mortgages	Normal	Normal	Special mention	Special mention	Substandard	Doubtful
Loans secured by pledges	Normal	Normal	Normal	Special mention	Substandard	Doubtful
Guaranteed loans	Normal	Normal	Special mention	Substandard	Doubtful	Loss
Unsecured loans	Normal	Special mention	Substandard	Doubtful	Doubtful	Loss

A loan is downgraded by one classification category from the classification category indicated in the table above if there have been adverse changes in the borrower's (or the entrepreneur's) financial condition, key shareholders or affiliates or key executives or technology professionals, or the preferential treatment granted to the borrower, or the collateral or guarantees, that may affect the borrower's repayment abilities.

Personal Loans (Excluding Personal Business Loans)

In applying the loan classification criteria to our personal loans (excluding personal business loans), including residential mortgage loans, personal consumption loans and auto loans, we classify these personal loans by the length of time by which payments of principal or interest are overdue. The following table sets forth the five-category classification of these personal loans for which payments of principal or interest are overdue by type of collateral.

		Overdue by				
	Current	**1-30 days**	**31-90 days**	**91-180 days**	**181-360 days**	**Over 360 days**
Loans secured by mortgages .	Normal	Normal	Special mention	Special mention	Substandard	Doubtful
Loans secured by pledges	Normal	Normal	Normal	Special mention	Substandard	Doubtful
Guaranteed loans	Normal	Normal	Special mention	Substandard	Doubtful	Loss
Unsecured loans	Normal	Special mention	Substandard	Doubtful	Doubtful	Loss

Our personal loans (excluding personal business loans) with records of default are not upgraded within (i) three months of payment of all the overdue principal and interest amounts if classified as special mention, or (ii) six months of payment of all the overdue principal and interest amounts if classified as substandard or below.

Our personal loans (excluding personal business loans) (i) suspected to fall within any of the following are not to be classified as normal, and (ii) known to fall within any of the following are not to be classified higher than substandard:

- loans to individuals for which the down payments or repayments are made by other entities, except such payment as agreed to be made by such third parties or by individual business households or sole proprietorships;
- loans obtained through using other person's identification documents in bad faith;
- loans financing the properties or automobiles whose prices are overly high, causing a high risk of zero down payment; or
- loans used for purposes other than the intended use, or of which the proceeds have been embezzled.

Our residential mortgage loans are not to be classified as normal if there are any disputes between the borrower and the property developer regarding the quality, time of delivery, management, and documentation of title of the property securing our loan.

Credit Card Balances

In applying the loan classification criteria to credit card balances, we consider the length of time by which the required minimum repayment is overdue. The following table sets forth the five-category loan classification of credit card balances by time by which the required minimum repayment is overdue.

	Classification
Current	Normal
Required minimum repayment overdue by	
1 to 90 days	Special mention
91 to 120 days	Substandard
121 to 180 days	Doubtful
Over 180 days	Loss

Distribution of Loans by Loan Classification

The following table sets forth, at the dates indicated, the distribution of our loan portfolio by the five-category loan classification. We use the term "non-performing loans" and "impaired loans" synonymously to refer to the loans identified as "impaired loans" in Note 2(4)(ii) to our historical financial information included in the Accountants' Report in Appendix I to this prospectus. Under our five-category loan classification system, our non-performing loans are loans classified as substandard, doubtful or loss, as applicable.

	At December 31,						**At June 30,**	
	2012		**2013**		**2014**		**2015**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in millions of RMB, except percentages)							
Normal	48,999	97.69%	62,147	98.73%	76,263	97.79%	83,619	96.82%
Special mention	925	1.84	466	0.74	1,140	1.46	1,834	2.12
Substandard	150	0.30	245	0.39	483	0.62	864	1.00
Doubtful	87	0.17	86	0.14	100	0.13	52	0.06
Loss	—	—	—	—	—	—	—	—
Total loans to customers	**50,161**	**100.00%**	**62,944**	**100.00%**	**77,986**	**100.00%**	**86,369**	**100.00%**
Non-performing loans	**237**		**331**		**583**		**916**	
Non-performing loan ratio[1]		**0.47%**		**0.53%**		**0.75%**		**1.06%**

(1) Calculated by dividing total non-performing loans by total loans to customers.

The following table sets forth, at the dates indicated, the distribution of our loans to customers by business line and by the five-category loan classification system.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	Amount	% of total[1]	Amount	% of total[1]	Amount	% of total[1]	Amount	% of total[1]
	(in millions of RMB, except percentages)							
Corporate loans								
Normal	31,518	96.69%	42,663	98.29%	49,975	96.72%	55,818	95.53%
Special mention	848	2.60	448	1.03	1,128	2.18	1,729	2.96
Substandard	149	0.45	213	0.49	471	0.91	841	1.44
Doubtful	84	0.26	84	0.19	97	0.19	39	0.07
Loss	—	—	—	—	—	—	—	—
Subtotal	32,599	100.00%	43,408	100.00%	51,671	100.00%	58,427	100.00%
Non-performing loans	**233**		**297**		**568**		**880**	
Non-performing loan ratio[2]		**0.71%**		**0.68%**		**1.10%**		**1.51%**
Personal loans								
Normal	10,106	99.20%	15,124	99.66%	21,368	99.87%	22,976	99.39%
Special mention	77	0.76	18	0.12	12	0.06	105	0.45
Substandard	1	0.01	32	0.21	12	0.06	23	0.10
Doubtful	3	0.03	2	0.01	3	0.01	13	0.06
Loss	—	—	—	—	—	—	—	—
Subtotal	10,187	100.00%	15,176	100.00%	21,395	100.00%	23,117	100.00%
Non-performing loans	**4**		**34**		**15**		**36**	
Non-performing loan ratio[2]		**0.04%**		**0.22%**		**0.07%**		**0.16%**
Discounted Bills								
Normal	7,375	100.00%	4,360	100.00%	4,920	100.00%	4,825	100.00%
Subtotal	7,375	100.00%	4,360	100.00%	4,920	100.00%	4,825	100.00%
Non-performing loans	**—**		**—**		**—**		**—**	
Non-performing loan ratio[2]		**—**		**—**		**—**		**—**
Total loans to customers	**50,161**		**62,944**		**77,986**		**86,369**	
Total non-performing loans	**237**		**331**		**583**		**916**	
Non-performing loan ratio[3]		**0.47%**		**0.53%**		**0.75%**		**1.06%**

(1) Calculated by dividing loans in each category by total loans from that business line.

(2) Calculated by dividing non-performing loans in each business line by total loans in that business line.

(3) Calculated by dividing total non-performing loans by total loans.

Our non-performing loan ratio was 0.47%, 0.53%, 0.75% and 1.06% at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. In absolute amounts, our non-performing loans increased by 39.7% from RMB237 million at December 31, 2012 to RMB331 million at December 31, 2013, which in turn increased by 76.1% to RMB583 million at December 31, 2014. Our non-performing loans further increased to RMB916 million at June 30, 2015. The continued increase in both the balances of our non-performing loans and our non-performing loan ratio were primarily attributable to an increase in our non-performing corporate loans, primarily reflecting the operational difficulties and deteriorated repayment abilities of our corporate customers during the economic downturn.

Changes in Asset Quality of Our Loans

The following table sets forth, for the periods indicated, the changes in our non-performing loans.

	At or for the period ended the date indicated
	(in millions of RMB)
At January 1, 2012	**165**
Increases	152
Decreases	
Recoveries	(80)
At December 31, 2012	**237**
Increases	246
Decreases	
Recoveries	(152)
At December 31, 2013	**331**
Increases	532
Decreases	
Write-offs	(39)
Recoveries	(241)
At December 31, 2014	**583**
Increases	583
Decreases	
Write-offs	(45)
Recoveries	(175)
Upgrades	(30)
At June 30, 2015	**916**

The following table sets forth, for the periods indicated, the migration ratios of our loan portfolio, calculated in accordance with the applicable CBRC requirements.

	For the year ended December 31,			For the six months ended June 30,
	2012	2013	2014	2015
Normal and special mention loans[1]	2.09%	1.33%	3.83%	1.11%
Normal loans[2]	4.40%	4.49%	8.63%	2.47%
Special mention loans[3]	0.01%	5.19%	52.36%	60.50%
Substandard loans[4]	—	100.00%	94.82%	6.08%
Doubtful loans[5]	—	—	—	—

(1) Represents migration ratios of loans classified as normal or special mention which were downgraded to other classifications. The migration ratio of normal and special mention loans represents a fraction, the numerator of which equals the sum of (i) loans classified as normal 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 to the sum of (i) the difference between the balance of normal loans at the beginning date of the period and the decrease, in the period, in the loans which were classified as normal 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 migration ratio of loans classified as normal which were downgraded to other classifications. The normal loan migration ratio represents a fraction, the numerator of which equals loans classified as normal at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of normal loans at the beginning date of the period and the decrease in such loans in the period.

(3) 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, 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 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, 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 migration ratio of loans classified as doubtful which were downgraded to loss. 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 loss, 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.

Based on the calculation formula above, migration ratio is sensitive to the amount of loans downgraded during the period, as well as the beginning balance and the decreased amount of the loans in the respective loan classification category during the period.

The migration ratio for our special mention loans increased during the Track Record Period, primarily due to (i) an increase in loans downgraded from special mention to non-performing, primarily reflecting the impact of the economic downturn, (ii) a deeper decrease in our special mention loans resulting from our increased collection efforts, and (iii) our vigorous implementation of our loan classification criteria, including downgrading certain special mention loans on a timely basis to accurately reflect the asset quality of these loans.

The migration ratio for our substandard loans remained relatively high at 100.00% in 2013 and 94.82% in 2014, because substantially all substandard loans we were not able to collect in these years were downgraded to lower classifications, resulting in sharp decreases in loans classified as substandard. The migration ratio for our substandard loans were 6.08% for the six months ended June 30, 2015, primarily because (i) the opening balance of substandard loans was relatively large, and (ii) such loans experienced a small decrease over the six months ended June 30, 2015, as we were still in the process of collecting these loans.

Distribution of Non-Performing Loans by Product Type

The following table sets forth, at the dates indicated, the distribution of our non-performing loans by product type.

	At December 31,									At 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												
Short-term loans(2)	65	27.5%	0.23%	253	76.4%	0.64%	468	80.3%	1.15%	681	74.4%	1.54%
Medium- and long-term loans(3)	168	70.9	4.28	44	13.3	1.14	100	17.1	0.90	199	21.7	1.41
Subtotal	233	98.4	0.71	297	89.7	0.68	568	97.4	1.10	880	96.1	1.51
Personal loans												
Personal business loans	3	1.2	0.06	33	10.0	0.37	14	2.4	0.12	32	3.5	0.25
Residential mortgage loans	1	0.4	0.03	1	0.3	0.03	1	0.2	0.02	2	0.2	0.03
Personal consumption loans	—	—	—	—	—	—	—	—	—	2	0.2	0.06
Auto loans	—	—	—	—	—	—	—	—	—	—	—	—
Credit card balances	—	—	N/A	—	—	N/A	—	—	—	—	—	—
Others	—	—	—	—	—	N/A	—	—	N/A	—	—	N/A
Subtotal	4	1.6	0.04	34	10.3	0.22	15	2.6	0.07	36	3.9	0.16
Discounted bills	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**237**	**100.0%**	**0.47%**	**331**	**100.0%**	**0.53%**	**583**	**100.0%**	**0.75%**	**916**	**100.0%**	**1.06%**

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful or loss) in each product type by total loans in that product type.

(2) Consists of loans with contract maturities of one year or less.

(3) Consists of loans with contract maturities of more than one year.

Our non-performing corporate loans increased by 27.5% from RMB233 million at December 31, 2012 to RMB297 million at December 31, 2013, which in turn increased by 91.2% to RMB568 million at December 31, 2014. At June 30, 2015, our non-performing corporate loans further increased to RMB880 million. The increase in our non-performing corporate loans was primarily due to the operational difficulties encountered by, and the deterioration of the repayment abilities of, our corporate customers, primarily reflecting the impact of the economic downturn. The non-performing loan ratio of our corporate loans decreased from 0.71% at December 31, 2012 to 0.68% at December 31, 2013, primarily due to an overall increase in our total corporate loans. The non-performing loan ratio of our corporate loans increased from 0.68% at December 31, 2013 to 1.10% at December 31, 2014, primarily reflecting the adverse impact of the economic downturn on the operational conditions and the repayment abilities of our corporate borrowers. At June 30, 2015, the non-performing loan ratio of our corporate loans increased to 1.51%, primarily due to our loans to certain corporate borrowers in the wholesale and retail and manufacturing industries downgraded to non-performing in the first half of 2015.

The non-performing loan ratio of our personal loans increased from 0.04% at December 31, 2012 to 0.22% at December 31, 2013, primarily due to a significant increase in our non-performing personal business loans from RMB3 million at December 31, 2012 to RMB33 million at December 31, 2013, primarily attributable to our personal business loans to the small business owners doing business in a local trade center, which were downgraded to non-performing in 2013. The non-performing loan ratio of our personal loans decreased from 0.22% at December 31, 2013 to 0.07% at December 31, 2014, primarily due to a decrease in our non-performing personal business loans from RMB33 million at December 31, 2013 to RMB14 million at December 31, 2014 as a result of our recovery of the above-mentioned non-performing loans in 2014. At June 30, 2015, our non-performing personal loans increased to RMB36 million, representing a non-performing loan ratio of 0.16%. The increase in both the balance of our non-performing loans and the non-performing loan ratio of our personal loan portfolio as compared to December 31, 2014 was primarily attributable to our personal business loans to certain small business owners in the wholesale and retail industry downgraded to non-performing in the first half of 2015.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth, at the dates indicated, the distribution of our non-performing corporate loans by industry.

	At December 31,									At 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	104	44.6%	1.18%	286	96.3%	2.47%	321	56.5%	2.51%	385	43.8%	2.79%
Wholesale and retail	—	—	—	11	3.7	0.07	216	38.0	1.27	279	31.7	1.40
Real estate	129	55.4	4.84	—	—	—	—	—	—	—	—	—
Construction	—	—	—	—	—	—	10	1.8	0.18	60	6.8	1.10
Agriculture, forestry, animal husbandry and fishery	—	—	—	—	—	—	—	—	—	2	0.2	0.09
Mining	—	—	—	—	—	—	—	—	—	46	5.2	2.22
Accommodation and catering	—	—	—	—	—	—	8	1.4	0.86	95	10.8	8.13
Transportation, storage and postal services	—	—	—	—	—	—	8	1.4	0.68	5	0.6	0.49
Production and supply of electric and heating power, gas and water	—	—	—	—	—	—	—	—	—	—	—	—
Leasing and commercial services	—	—	—	—	—	—	5	0.9	0.41	5	0.6	0.55
Others[2]	—	—	—	—	—	—	—	—	—	3	0.3	0.07
Total non-performing loan	**233**	**100.0%**	**0.71%**	**297**	**100.0%**	**0.68%**	**568**	**100.0%**	**1.10%**	**880**	**100.0%**	**1.51%**

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful or loss) to corporate borrowers in each industry by total loans in that industry.

(2) Consists primarily of (i) information transmission, software and information technology services, (ii) financial services, (iii) scientific studies and technology services, (iv) water, environment and public utilities management, (v) residential services, maintenance and other services, (vi) education, (vii) health and social services, and (viii) culture, sports and entertainment.

A significant portion of our non-performing corporate loans were attributable to the manufacturing industry, representing 44.6%, 96.3%, 56.5% and 43.8% of our total non-performing corporate loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our non-performing loans to corporate borrowers in the manufacturing industry almost tripled from RMB104 million (representing a non-performing loan ratio of 1.18%) at December 31, 2012 to RMB286 million (representing a non-performing loan ratio of 2.47%) at December 31, 2013, primarily attributable to our loan granted to a corporate borrower in the chemical product manufacturing industry downgraded to non-performing in 2013, which we recovered in 2014. Our non-performing loans to corporate borrowers in the manufacturing industry increased by 12.2% from RMB286 million (representing a non-performing loan ratio of 2.47%) at December 31, 2013 to RMB321 million (representing a non-performing loan ratio of 2.51%) at December 31, 2014, primarily attributable to our loans to certain corporate borrowers in the photovoltaic material, non-metal minerals and non-ferrous metal product manufacturing industry downgraded to non-performing. At June 30, 2015, our non-performing loans to corporate borrowers in the manufacturing industry further increased to RMB385 million, representing a non-performing loan ratio of 2.79%, primarily due to our loans to certain corporate borrowers in the construction materials manufacturing, printing, automobile parts manufacturing and chemical materials manufacturing industries downgraded to non-performing in the first half of 2015. The increase in our non-performing loans to corporate borrowers in the manufacturing industry and the non-performing loan ratio for these loans from December 31, 2012 to June 30, 2015 primarily reflected the impact of the economic downturn on the operational and financial conditions of those borrowers.

Our non-performing loans to corporate borrowers in the wholesale and retail industry increased, both in absolute terms and as a percentage of our total non-performing corporate loans, from nil at December 31, 2012 to RMB11 million and 3.7% at December 31, 2013 (representing a non-performing loan ratio of 0.07%), which in turn increased to RMB216 million and 38.0% at December 31, 2014 (representing a non-performing loan ratio of 1.27%). Our non-performing loans to corporate borrowers in the wholesale and retail industry further increased to RMB279 million at June 30, 2015, representing 31.7% of our total non-performing corporate loans and a non-performing loan ratio of 1.40%. The increase in our non-performing loans to corporate borrowers in the wholesale and retail industry and the non-performing loan ratio for these loans from December 31, 2012 to June 30, 2015 reflected the operational difficulties and deteriorated repayment abilities of our corporate borrowers in the wholesale and retail industry in light of the economic downturn.

We had one non-performing loan to a corporate borrower in the real estate industry in the amount of RMB129 million at December 31, 2012, representing 55.4% of our total non-performing corporate loans at the same date and a non-performing loan ratio of 4.84%. We collected this loan in 2013 and did not have any non-performing loan to corporate borrowers in the real estate industry at December 31, 2013 and 2014 and June 30, 2015.

We did not have any non-performing loan to corporate borrowers in the accommodation and catering industry at December 31, 2012 and 2013. Our non-performing loans to corporate borrowers in the accommodation and catering industry increased significantly from RMB8 million at December 31, 2014 to RMB95 million at June 30, 2015, primarily due to a loan granted to a corporate borrower in Nanyang in the catering industry downgraded to non-performing.

Distribution of Non-Performing Loans by Geographical Region

The following table sets forth, at the dates indicated, the distribution of our non-performing loans by geographical region.

	At December 31,									At 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)											
Zhengzhou	217	91.6%	0.46%	135	40.8%	0.24%	583	100.0%	0.84%	821	89.6%	1.08%
Other regions	20	8.4	0.68	196	59.2	3.16	—	—	—	95	10.4	0.93
Total non-performing loans	**237**	**100.0%**	**0.47%**	**331**	**100.0%**	**0.53%**	**583**	**100.0%**	**0.75%**	**916**	**100.0%**	**1.06%**

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful or loss) in each geographical region by total loans in that geographical region.

Our non-performing loans at December 31, 2012, 2013 and 2014 and June 30, 2015 were primarily originated in Zhengzhou because most of our loans in these periods were originated in Zhengzhou. Please see "— Loans to Customers — Distribution of Loans by Geographical Region" for the distribution of loans to customers by geographical region and "— Changes in Asset Quality of Our Loans" for a general discussion on these movements.

Our non-performing loans in regions other than Zhengzhou consist primarily of non-performing loans in Nanyang. These non-performing loans increased significantly from RMB20 million at December 31, 2012 to RMB196 million at December 31, 2013, primarily attributable to our loans to two borrowers in Nanyang downgraded to non-performing in 2013, which we recovered in 2014. Our non-performing loans in regions other than Zhengzhou amounted to RMB95 million at June 30, 2015, primarily attributable to a loan granted to a corporate borrower in Nanyang in the accommodation and catering industry downgraded to non-performing.

Distribution of Non-Performing Loans by Collateral

The following table sets forth, at the dates indicated, the distribution of our non-performing loans by type of collateral.

	At December 31,									At 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 secured by mortgages	233	98.4%	3.00%	262	79.1%	2.83%	188	32.2%	1.62%	288	31.4%	1.89%
Loans secured by pledges	—	—	—	—	—	—	—	—	—	20	2.2	0.14
Guaranteed loans	—	—	—	35	10.6	0.16	380	65.2	1.34	572	62.5	2.00
Unsecured loans	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	233	98.4	0.71	297	89.7	0.68	568	97.4	1.10	880	96.1	1.51
Personal loans												
Loans secured by mortgages	2	0.8	0.03	33	10.0	0.43	2	0.4	0.02	7	0.7	0.06
Loans secured by pledges	—	—	—	—	—	—	—	—	—	—	—	—
Guaranteed loans	2	0.8	0.09	1	0.3	0.02	13	2.2	0.23	29	3.2	0.45
Unsecured loans	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	4	1.6	0.04	34	10.3	0.22	15	2.6	0.07	36	3.9	0.16
Discounted bills	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total non-performing loans	**237**	**100.0%**	**0.47%**	**331**	**100.0%**	**0.53%**	**583**	**100.0%**	**0.75%**	**916**	**100.0%**	**1.06%**

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful or loss) in each type of collateral by total loans in that type of collateral in each of our business lines.

Distribution of Non-performing Corporate Loans by Collateral

Non-performing corporate loans secured by mortgages amounted to RMB233 million, RMB262 million, RMB188 million and RMB288 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, representing 98.4%, 79.1%, 32.2% and 31.4% of our total non-performing loans at the same dates, respectively. The non-performing loan ratio for our corporate loans secured by mortgages decreased from 3.00% at December 31, 2012 to 2.83% at December 31, 2013, primarily due to an overall increase in our total corporate loans secured by mortgages. The non-performing loan ratio for our corporate loans secured by mortgages decreased from 2.83% at December 31, 2013 to 1.62% at December 31, 2014, primarily because we collected certain non-performing corporate loans secured by mortgages in 2014. The non-performing loan ratio for our corporate loans secured by mortgages increased to 1.89% at June 30, 2015, primarily attributable to our loans to certain corporate borrowers in the wholesale and retail, accommodation and catering and manufacturing industries downgraded to non-performing in the first half of 2015.

Guaranteed non-performing corporate loans represented 10.6%, 65.2% and 62.5% of our total non-performing loans at December 31, 2013 and 2014 and June 30, 2015, respectively. Our guaranteed non-performing corporate loans increased from nil at December 31, 2012 to RMB35 million (representing a non-performing loan ratio of 0.16%) at December 31, 2013, which in turn increased significantly to RMB380 million (representing a non-performing loan ratio of 1.34%) at December 31, 2014. At June 30, 2015, our guaranteed non-performing corporate loans further increased to RMB572 million, representing a non-performing loan ratio of 2.00%. The continued increase in our guaranteed non-performing corporate loans and the non-performing loan ratio for guaranteed corporate loans were primarily attributable to our guaranteed loans to certain small enterprise borrowers downgraded to non-performing.

Distribution of Non-performing Personal Loans by Collateral

Non-performing personal loans secured by mortgages represented 0.8%, 10.0%, 0.4% and 0.7% of our total non-performing loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our non-performing personal loans secured by mortgages increased significantly from RMB2 million at December 31, 2012 (representing a non-performing loan ratio of 0.03%) to RMB33 million (representing a non-performing loan ratio of 0.43%) at December 31, 2013, primarily attributable to certain personal business loans to small business owners doing business in a local trade center, which were secured by mortgages by the trade center over the property of its premise. Our non-performing personal loans secured by mortgages decreased by 93.9% from RMB33 million at December 31, 2013 to RMB2 million at December 31, 2014 (representing a non-performing loan ratio of 0.02%), primarily due to our recovery on the above-mentioned personal business loans secured by mortgages. At June 30, 2015, our non-performing personal loans secured by mortgages increased to RMB7 million, representing a non-performing loan ratio of 0.06%, primarily attributable to our personal business loans to two small business owners in the construction materials wholesale industry downgraded to non-performing in the first half of 2015.

Guaranteed non-performing personal loans represented 0.8%, 0.3%, 2.2% and 3.2% of our total non-performing loans at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our guaranteed non-performing personal loans decreased by 50.0% from RMB2 million (representing a non-performing loan ratio of 0.09%) at December 31, 2012 to RMB1 million (representing a non-performing loan ratio of 0.02%) at December 31, 2013, primarily as a result of our recovery efforts. Our guaranteed non-performing personal loans increased significantly from RMB1 million at December 31, 2013 to RMB13 million at December 31, 2014 (representing a non-performing loan ratio of 0.23%). At June 30, 2015, our guaranteed non-performing personal loans further increased to RMB29 million, representing a non-performing loan ratio of 0.45%. The continued increase in our guaranteed non-performing personal loans from December 31, 2013 to June 30, 2015 was primarily due to the expansion of our micro finance business, in which personal business loans to small business owners are primarily secured by guarantees, and the financial condition of certain small business owners were adversely affected by the economic downturn.

Ten Largest Non-performing Borrowers

The following table sets forth, at the date indicated, our borrowers with the ten largest non-performing loan balances outstanding.

	At June 30, 2015				
	Industry	**Outstanding principal amount**	**Classification**	**% of total non-performing loans**	**% of regulatory capital(1)**
	(in millions of RMB, except percentages)				
Borrower A	Manufacturing	100	Substandard	10.92%	0.64%
Borrower B	Accommodation and catering	95	Substandard	10.37	0.61
Borrower C	Manufacturing	80	Substandard	8.73	0.51
Borrower D	Wholesale and retail	61	Substandard	6.66	0.39
Borrower E	Manufacturing	53	Substandard	5.79	0.34
Borrower F	Wholesale and retail	49	Substandard	5.35	0.32
Borrower G	Mining	46	Substandard	5.02	0.30
Borrower H	Construction	30	Substandard	3.28	0.19
Borrower I	Manufacturing	30	Substandard	3.28	0.19
Borrower J	Wholesale and retail	29	Substandard	3.17	0.19
Total		**573**		**62.57%**	**3.68%**

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Administrative Measures and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our regulatory capital at June 30, 2015, please see "Financial Information — Capital Resources — Capital Adequacy".

Loan Aging Schedule

The following table sets forth, at the dates indicated, our loan aging schedule.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Current loans	49,524	98.7%	61,984	98.5%	76,111	97.6%	82,695	95.7%
Loans past due[(1)] for								
1 to 90 days	380	0.8	575	0.9	1,257	1.6	2,602	3.1
91 to 360 days	172	0.3	296	0.5	448	0.6	895	1.0
361 days or more	85	0.2	89	0.1	170	0.2	177	0.2
Subtotal	637	1.3	960	1.5	1,875	2.4	3,674	4.3
Total loans to customers ..	**50,161**	**100.0%**	**62,944**	**100.0%**	**77,986**	**100.0%**	**86,369**	**100.0%**
Loans past due for 91 days or more	**257**	**0.5%**	**385**	**0.6%**	**618**	**0.8%**	**1,072**	**1.2%**

(1) Represents the principal amount of the loans on which principal or interest is overdue. For loans that are repayable in installments, if any portion of the loan is overdue, the total amount of that loan is classified as overdue.

Allowance for Impairment Losses on Loans to Customers

We assess our loans for impairment, determine a level of allowance for impairment losses, and recognize any related provisions made in a period, using the concept of impairment under IAS 39. Please see "Financial Information — Critical Accounting Estimates and Judgments — Impairment Losses on Loans to Customers, Available-for-sale Financial Assets and Held-to-maturity Investments" and Note 2(4)(ii) to our historical financial information included in the Accountants' Report in Appendix I to this prospectus.

Our loans are reported net of the allowance for impairment losses on our statement of financial position. We perform individual assessments to determine the allowance for impairment losses against individually significant loans, which consist of corporate loans and discounted bills, if there is objective evidence of impairment as a result of events occurring after the initial recognition of loans which affect the estimated future cash flows of the loans.

The allowance for impairment losses of 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 cash flows of the loans, including, among other things, the recoverable value of the collateral.

Individually significant loans for which no evidence of impairment has been individually identified consist of loans classified as normal and special mention. These loans are assessed collectively for the purpose of determining the allowance for impairment losses. Homogeneous groups of loans that are not considered individually significant represent personal loans. These loans are also collectively assessed for the purpose of determining the allowance for impairment losses. The allowance for impairment losses of the collectively assessed loans is determined primarily based on our historical loss experience in similar portfolios and on current economic conditions.

Distribution of Allowance for Impairment Losses by Loan Classification

The following table sets forth, at the dates indicated, the allocation of our allowance for impairment losses by loan classification category.

	At December 31,									At 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)											
Normal	673	66.8%	1.37%	1,193	84.7	1.92%	1,330	75.6%	1.74%	1,643	71.6%	1.96%
Special mention ...	210	20.8	22.70	70	5.0	15.02	205	11.6	17.98	341	14.9	18.59
Substandard..........	54	5.4	36.00	69	4.9	28.16	149	8.5	30.85	272	11.9	31.48
Doubtful	71	7.0	81.61	76	5.4	88.37	76	4.3	76.00	38	1.6	73.08
Loss	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Total allowance ...	**1,008**	**100.0%**	**2.01%**	**1,408**	**100.0%**	**2.24%**	**1,760**	**100.0%**	**2.26%**	**2,294**	**100.0%**	**2.66%**

(1) Calculated by dividing the allowance for impairment losses on loans in each category by the total loans in that category.

The following table sets forth, at the dates indicated, the allocation of our allowance for impairment losses by business line and by loan classification category.

	At December 31,									At 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)											
Corporate loans												
Normal	655	65.0%	2.08%	1,159	82.3%	2.72%	1,273	72.4%	2.55%	1,588	69.2%	2.84%
Special mention	197	19.5	23.23	67	4.8	14.96	204	11.5	18.09	338	14.8	19.55
Substandard	54	5.4	36.24	60	4.3	28.17	145	8.3	30.79	265	11.6	31.51
Doubtful	69	6.8	82.14	75	5.3	89.29	75	4.2	77.32	31	1.3	79.49
Loss	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Subtotal	975	96.7	2.99	1,361	96.7	3.14	1,697	96.4	3.28	2,222	96.9	3.80
Personal loans												
Normal	18	1.8	0.18	33	2.3	0.22	37	2.1	0.17	40	1.8	0.17
Special mention	13	1.3	16.88	3	0.2	16.67	1	0.1	8.33	3	0.1	2.86
Substandard	—	—	—	9	0.6	28.13	4	0.2	33.33	7	0.3	30.43
Doubtful	2	0.2	66.67	1	0.1	50.00	1	0.1	33.33	7	0.3	53.85
Loss	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Subtotal	33	3.3	0.32	46	3.2	0.30	43	2.5	0.20	57	2.5	0.25
Discounted bills												
Normal	—	—	—	1	0.1	0.02	20	1.1	0.41	15	0.6	0.31
Subtotal	—	—	—	1	0.1	0.02	20	1.1	0.41	15	0.6	0.31
Total allowance	**1,008**	**100.0%**	**2.01%**	**1,408**	**100.0%**	**2.24%**	**1,760**	**100.0%**	**2.26%**	**2,294**	**100.0%**	**2.66%**

(1) Calculated by dividing the allowance for impairment losses on loans in each category in each business line by the total loans in that category of that business line.

We have made provisions on impairment losses on collectively assessed loans based on historical loss experience and current economy conditions in accordance with the requirements under IFRS and our accounting policies disclosed in the Accountants' Report set forth in Appendix I to this prospectus. In particular, the allowance to loan ratio for our corporate loans classified as special mention was 23.23%, 14.96%, 18.09% and 19.55% at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. This level of allowance to loan ratio for such loans primarily reflected the combined effect of that (i) a relatively large portion of our corporate loans classified as special mention were overdue, although no impairment was identified individually, (ii) a significant portion of such loans were unsecured or secured by guarantees without collateral, and (iii) a significant portion of such loans were granted to borrowers in the wholesale and retail industry and the manufacturing industry, which were among the industries most vulnerable to the economic downturn.

Changes to Allowance for Impairment Losses

We report net provisions for impairment losses on loans to customers on our income statement. Please see "Financial Information — Results of Operations for the Six Months Ended June 30, 2014 and 2015 — Provisions for Impairment Losses" and "Financial Information — Results of Operations for the Years ended December 31, 2012, 2013 and 2014 — Provisions for Impairment Losses".

The following table sets forth, for the periods indicated, the changes to the allowance for impairment losses on loans to customers.

	At or for the period ended the date indicated
	(in millions of RMB)
At January 1, 2012	**688**
Charge for the year	351
Release for the year	(31)
Net charge for the year	320
At December 31, 2012	**1,008**
Charge for the year	454
Release for the year	(54)
Net charge for the year	400
At December 31, 2013	**1,408**
Charge for the year	472
Release for the year	(64)
Net charge for the year	408
Unwinding of discount	(17)
Write-offs	(39)
At December 31, 2014	**1,760**
Charge for the period	672
Release for the period	(69)
Net charge for the period	603
Unwinding of discount	(24)
Write-offs	(45)
At June 30, 2015	**2,294**

Our allowance for impairment losses on loans to customers increased by 39.7% from RMB1,008 million at December 31, 2012 to RMB1,408 million at December 31, 2013, which in turn increased by 25.0% to RMB1,760 million at December 31, 2014. Our allowance for impairment losses on loans to customers further increased to RMB2,294 million at June 30, 2015. The increase in our allowance for impairment losses on loans to customers was primarily due to the overall increase in our total loan portfolio and an increase in our non-performing loans.

Distribution of Allowance for Impairment Losses by Product Type

The following table sets forth, at the dates indicated, the allocation of our allowance for impairment losses on loans to customers by product type.

	At December 31,									At 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)											
Corporate loans												
Short-term loans[2] ...	720	71.4%	1,107.69%	1,190	84.6%	470.36%	1,354	76.9%	289.32%	1,787	77.9%	262.41%
Medium- and long-term loans[3]	255	25.3	151.79	171	12.1	388.64	343	19.5	343.00	435	19.0	218.59
Subtotal	975	96.7	418.45	1,361	96.7	458.25	1,697	96.4	298.77	2,222	96.9	252.50
Personal loans												
Personal business loans	22	2.2	733.33	31	2.2	93.94	25	1.4	178.57	36	1.6	112.50
Residential mortgage loans	7	0.7	700.00	9	0.6	900.00	11	0.7	1,100.00	12	0.5	600.00
Personal consumption loans	2	0.2	N/A	4	0.3	N/A	5	0.3	N/A	7	0.3	350.00
Auto loans	2	0.2	N/A	2	0.1	N/A	2	0.1	N/A	2	0.1	N/A
Credit card balances	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Others	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Subtotal	33	3.3	825.00	46	3.2	135.29	43	2.5	286.67	57	2.5	158.33
Discounted bills												
Bank acceptance bills.....................	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Commercial acceptance bills ..	—	—	N/A	1	0.1	N/A	20	1.1	N/A	15	0.6	N/A
Subtotal	—	—	N/A	1	0.1	N/A	20	1.1	N/A	15	0.6	N/A
Total allowance	**1,008**	**100.0%**	**425.28%**	**1,408**	**100.0%**	**425.54%**	**1,760**	**100.0%**	**301.66%**	**2,294**	**100.0%**	**250.40%**

(1) Calculated by dividing the allowance for impairment losses on loans in each product type by non-performing loans in that product type.

(2) Consists of loans with contract maturities of one year or less.

(3) Consists of loans with contract maturities of more than one year.

Distribution of Allowance for Impairment Losses on Corporate Loans by Industry

The following table sets forth, at the dates indicated, the allowance for impairment losses on corporate loans by industry.

	At December 31,									At 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)											
Wholesale and retail	244	25.0%	N/A	559	41.1%	5,081.82%	594	35.0%	275.00%	744	33.5%	266.67%
Manufacturing	248	25.4	238.46	399	29.3	139.51	498	29.3	155.14	685	30.8	177.92
Real estate	227	23.3	175.97	73	5.4	N/A	108	6.4	N/A	191	8.6	N/A
Construction	119	12.2	N/A	147	10.8	N/A	134	7.9	1,340.00	179	8.1	298.33
Agriculture, forestry, husbandry and fishery	18	1.9	N/A	39	2.9	N/A	45	2.7	N/A	59	2.7	2,950.00
Mining	43	4.4	N/A	40	2.9	N/A	92	5.4	N/A	110	5.0	239.13
Accommodation and catering	19	2.0	N/A	14	1.0	N/A	50	3.0	625.00	73	3.3	76.84
Transportation, storage and postal services	8	0.8	N/A	13	1.0	N/A	26	1.5	325.00	25	1.1	500.00
Production and supply of electric and heating power, gas and water	10	1.0	N/A	12	0.9	N/A	19	1.1	N/A	24	1.1	N/A
Leasing and commercial services	16	1.6	N/A	28	2.1	N/A	47	2.8	940.00	21	0.9	420.00
Others[2]	23	2.4	N/A	37	2.6	N/A	84	4.9	N/A	111	4.9	3,700.00
Total allowance for corporate loans	**975**	**100.0%**	**418.45%**	**1,361**	**100.0%**	**458.25%**	**1,697**	**100.0%**	**298.77%**	**2,222**	**100.0%**	**252.50%**

(1) Calculated by dividing the allowance for impairment losses on loans to corporate customers in each industry by non-performing loans to corporate customers in that industry.

(2) Consist primarily of (i) information transmission, software and information technology services, (ii) financial services, (iii) scientific studies and technology services, (iv) water, environment and public utilities management, (v) residential services, maintenance and other services, (vi) education, (vii) health and social services, and (viii) culture, sports and entertainment.

Distribution of Allowance for Impairment Losses by Geographical Region

The following table sets forth, at the dates indicated, the allocation of our allowance for impairment losses by geographical region.

	At December 31,									At 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)											
Zhengzhou	945	93.7%	435.48%	1,221	86.7%	904.44%	1,546	87.8%	265.18%	2,033	88.6%	247.62%
Other regions[2]	63	6.3	315.00	187	13.3	95.41	214	12.2	N/A	261	11.4	274.74
Total allowance	**1,008**	**100.0%**	**425.28%**	**1,408**	**100.0%**	**425.54%**	**1,760**	**100.0%**	**301.66%**	**2,294**	**100.0%**	**250.40%**

(1) Calculated by dividing the allowance for impairment losses on loans in each region by non-performing loans originated in that region.

(2) Consists of allowances for impairment losses on loans originated by branches and sub-branches in Nanyang, Xinxiang, Luoyang, Anyang, Shangqiu and Xuchang.

Investment Securities and Other Financial Assets

Investment securities and other financial assets are another major component of our assets, which amounted to RMB29,890 million, RMB47,728 million, RMB82,499 million and RMB90,805 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively and represented 28.8%, 32.0%, 40.4% and 40.3% of our total assets at the same dates, respectively.

For presentation purposes in this section of the prospectus, we classify our investment securities and other financial assets into fixed income instruments and equity instruments. Our holding of investment securities and other financial assets consisted substantially of fixed income instruments during the Track Record Period.

Our total investment securities and other financial assets increased by 59.7% from RMB29,890 million at December 31, 2012 to RMB47,728 million at December 31, 2013, which in turn increased by 72.9% to RMB82,499 million at December 31, 2014. Our total investment securities and other financial assets further increased to RMB90,805 million at June 30, 2015. The continued increase in our investment securities and other financial assets were primarily due to our increased holding of investment products managed by securities companies, debt securities, and investment products under trust schemes, reflecting our continued efforts to diversify our investment portfolio and to increase our sources of income.

Fixed Income Instruments

Our fixed income instruments consist primarily of (i) debt securities, (ii) investment products under trust schemes, (iii) investment products managed by securities companies, and (iv) certain other fixed income instruments. All of the fixed income instruments we held at June 30, 2015 were denominated in Renminbi. The following table sets forth, at the dates indicated, the components of our fixed income instruments.

	At December 31,						At 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								
Government bonds	2,534	8.5%	5,091	10.7%	7,159	8.7%	7,668	8.4%
Debt securities issued by policy banks	9,583	32.1	11,138	23.3	16,191	19.5	19,923	21.9
Debt securities issued by banks and other financial institutions	220	0.7	866	1.8	2,386	2.9	1,139	1.3
Debt securities issued by corporate issuers	4,042	13.5	7,834	16.4	10,146	12.3	8,257	9.1
Subtotal	16,379	54.8	24,929	52.2	35,882	43.4	36,987	40.7
Investment products under trust schemes	11,001	36.8	18,137	38.0	27,892	33.8	29,862	32.8
Investment products managed by securities companies	1,389	4.6	3,848	8.1	17,152	20.8	21,450	23.6
Others[(1)]	1,129	3.8	822	1.7	1,670	2.0	2,644	2.9
Total fixed income instruments, gross	**29,898**	**100.0%**	**47,736**	**100.0%**	**82,596**	**100.0%**	**90,943**	**100.0%**
Less:								
allowance for impairment losses	(16)		(16)		(105)		(146)	
Total fixed income instruments, net	**29,882**		**47,720**		**82,491**		**90,797**	

(1) Consists of wealth management products issued by financial institutions, rights to rent receivables under financial leases and other debt investments.

Our gross holding of fixed income instruments, before taking into account the related allowance for impairment losses, increased by 59.7% from RMB29,898 million at December 31, 2012 to RMB47,736 million at December 31, 2013, which in turn increased by 73.0% to RMB82,596 million at December 31, 2014. At June 30, 2015, our gross holding of fixed income instruments further increased to RMB90,943 million. The continued increase in our holding of fixed income instruments was primarily attributable to increases in our holding of debt securities, investment products under trust schemes and investment products managed by securities companies.

The following table sets forth, at the dates indicated, a breakdown of our net fixed income instruments between fixed interest rates and floating interest rates.

	At December 31,						At 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	23,231	77.7%	41,224	86.4%	69,433	84.2%	78,488	86.4%
Floating interest rate	6,651	22.3	6,496	13.6	13,058	15.8	12,309	13.6
Total fixed income instruments	**29,882**	**100.0%**	**47,720**	**100.0%**	**82,491**	**100.0%**	**90,797**	**100.0%**

Our allowances for impairment losses on our fixed income instruments amounted to RMB16 million, RMB16 million, RMB105 million and RMB146 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Such allowances are primarily assessed on a collective basis for our financial investments classified as loans and receivables. The following discussion is based on our gross holding of fixed income instruments before taking into account of such allowance for impairment losses. Our holdings of fixed income instruments are reported net of the allowance for impairment losses on our statement of financial position.

Debt Securities

Debt securities in our investment securities and other financial assets portfolio consist of debt securities issued by the PRC government, policy banks, banks and other financial institutions, and corporate issuers. Our holding of debt securities represented 54.8%, 52.2%, 43.4% and 40.7% of our total holding of fixed income instruments at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our holding of debt securities increased by 52.2% from RMB16,379 million at December 31, 2012 to RMB24,929 million at December 31, 2013, which in turn increased by 43.9% to RMB35,882 million at December 31, 2014, primarily due to our increased holding of debt securities issued by corporate issuers, policy banks and the PRC government, primarily reflecting our preference for liquid and higher-yielding debt securities. The balance of our holding of debt securities increased to RMB36,987 million at June 30, 2015, primarily due to our increased holding of debt securities issued by PRC policy banks, partially offset by a decrease in our holding of debt securities issued by corporate issuers and banks and other financial institutions.

Our holding of PRC government bonds more than doubled from RMB2,534 million at December 31, 2012 to RMB5,091 million at December 31, 2013, which in turn increased by 40.6% to RMB7,159 million at December 31, 2014. Our holding of PRC government bonds further increased to RMB7,668 million at June 30, 2015. The continued increase in our holding of PRC government bonds primarily reflected our preference for their high liquidity.

Our holding of debt securities issued by policy banks increased by 16.2% from RMB9,583 million at December 31, 2012 to RMB11,138 million at December 31, 2013, which in turn increased by 45.4% to RMB16,191 million at December 31, 2014. Our holding of these debt securities further increased to RMB19,923 million at June 30, 2015. These debt securities represented 32.1%, 23.3%, 19.5% and 21.9% of our fixed income instrument portfolio at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The decrease in our holding of debt securities issued by policy banks as a percentage of our fixed income portfolio from December 31, 2012 to December 31, 2014 was primarily due to our allocation of funds to other assets with higher yields.

Our holding of debt securities issued by banks and other financial institutions almost quadrupled from RMB220 million at December 31, 2012 to RMB866 million at December 31, 2013, which in turn almost tripled to RMB2,386 million at December 31, 2014, primarily reflecting our preference for such financial bonds with relatively high returns. At June 30, 2015, we held debt securities issued by banks and other financial institutions of RMB1,139 million, representing a 52.3% decrease compared to December 31, 2014, primarily as a result of redemption at maturity of certain such debt securities and our allocation of funds to other, higher-yielding assets in light of the decreases in the yields on such debt securities in the first half of 2015.

Our holding of debt securities issued by corporate issuers increased by 93.8% from RMB4,042 million at December 31, 2012 to RMB7,834 million at December 31, 2013, which in turn increased by 29.5% to RMB10,146 million at December 31, 2014, primarily reflecting our preference for such debt securities with relatively high returns. At June 30, 2015, we held debt securities issued by corporate issuers of RMB8,257 million, representing a 18.6% decrease compared to December 31, 2014, primarily as a result of the reduction in our holding of these debt securities as they are generally of relatively high capital charge and relatively low liquidity, and the yields on these debt securities decreased in the first half of 2015.

Investment Products under Trust Schemes

Investment products under trust schemes represented 36.8%, 38.0%, 33.8% and 32.8% of our total holding of fixed income instruments. Our holding of these assets increased by 64.9% from RMB11,001 million at December 31, 2012 to RMB18,137 million at December 31, 2013, which in turn increased by 53.8% to RMB27,892 million at December 31, 2014. Our holding of these assets further increased to RMB29,862 million at June 30, 2015. The continued increase in our holding of investment products under trust schemes primarily reflected the overall growth in our investment portfolio, as well as our efforts to diversify, and seek higher returns on, our investment portfolio.

Investment Products Managed by Securities Companies

Investment products managed by securities companies represented 4.6%, 8.1%, 20.8% and 23.6% of our total holdings of fixed income instruments at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our holding of investment products managed by securities companies more than doubled from RMB1,389 million at December 31, 2012 to RMB3,848 million at December 31, 2013, which in turn more than quadrupled to RMB17,152 million at December 31, 2014. At June 30, 2015, our holding of these assets further increased to RMB21,450 million. The rapid growth in our holding of investment products managed by securities companies primarily reflected the overall growth in our investment portfolio and the increased availability of such investment products on the market, as well as our efforts to diversify, and seek higher returns on, our investment portfolio.

Equity Instruments

Our equity investments consist of our Renminbi-denominated investments of RMB8 million in China UnionPay and RMB0.4 million in the Clearing Center for City Commercial Banks. Our equity investments remained stable at RMB8.4 million at December 31, 2012, 2013 and 2014 and June 30, 2015.

Distribution of Investment Securities and Other Financial Assets by Investment Intention

Our investment securities and other financial assets are classified into (i) financial assets at fair value through profit or loss, (ii) available-for-sale financial assets, (iii) held-to-maturity investments, and (iv) financial investments classified as loans and receivables, primarily based on our investment intentions. Financial assets at fair value through profit or loss are (i) financial assets held for trading purposes and (ii) financial assets we designated upon initial recognition to be carried at fair value through profit or loss in accordance with IAS 39. Held-to-maturity investments are non-derivative investments with fixed or determinable payments and fixed maturities which we intend and are able to hold to maturity. Financial investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or are not actively traded. Available-for-sale financial assets are non-derivative financial assets that are not designated or classified as financial assets at fair value through profit or loss, financial investment classified as loans and receivables or held-to-maturity investments.

The following table sets forth, at the dates indicated, the distribution of our investment securities and other financial assets by our investment intention.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Financial assets at fair value through profit or loss	6,705	22.4%	7,990	16.7%	10,967	13.3%	15,167	16.7%
Available-for-sale financial assets	2,914	9.8	596	1.2	3,965	4.8	1,968	2.2
Held-to-maturity investments	7,098	23.7	16,730	35.1	22,065	26.7	21,615	23.8
Loans and receivables	13,173	44.1	22,412	47.0	45,502	55.2	52,055	57.3
Total investment securities and other financial assets	**29,890**	**100.0%**	**47,728**	**100.0%**	**82,499**	**100.0%**	**90,805**	**100.0%**

Our financial assets at fair value through profit or loss consist of listed and unlisted debt securities issued by the PRC government, policy banks, banks and other financial institutions, and corporate issuers, which we hold for trading purposes. Our financial assets at fair value through profit or loss represented 22.4%, 16.7%, 13.3% and 16.7% of our total investment securities and other financial assets at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our financial assets at fair value through profit or loss increased by 19.2% from RMB6,705 million at December 31, 2012 to RMB7,990 million at December 31, 2013, primarily due to increases in our holding of PRC government bonds and debt securities issued by corporate issuers. These financial assets increased by 37.3% from RMB7,990 million at December 31, 2013 to RMB10,967 million at December 31, 2014, primarily due to increases in our holdings of PRC government bonds and debt securities issued by PRC policy banks. Our financial assets at fair value through profit or loss further increased to RMB15,167 million at June 30, 2015, primarily attributable to our increased holding of debt securities issued by PRC policy banks.

Our available-for-sale financial assets consist of debt securities, other debt investments such as the funds as underlying assets for the principal-protected wealth management products we issued, and equity instruments. Our available-for-sale financial assets decreased by 79.5% from RMB2,914 million at December 31, 2012 to RMB596 million at December 31, 2013, primarily because we disposed of certain lower-yielding bonds classified as available-for-sale financial assets. Our available-for-sale financial assets increased significantly from RMB596 million at December 31, 2013 to RMB3,965 million at December 31, 2014, primarily due to increases in our holding of debt securities and other debt investments. Our available-for-sale financial assets decreased to RMB1,968 million at June 30, 2015, as a result of our reduction in holding of debt securities issued by PRC policy banks classified as available-for-sale financial assets.

Our held-to-maturity investments consist of debt securities issued by the PRC government, policy banks, banks and other financial institutions, and corporate issuers. Our held-to-maturity investments more than doubled from RMB7,098 million at December 31, 2012 to RMB16,730 million at December 31, 2013, primarily due to our increased holding of debt securities issued by banks and other financial institutions and corporate issuers. Our held-to-maturity investments increased by 31.9% from RMB16,730 million at December 31, 2013 to RMB22,065 million at December 31, 2014, primarily due to our increased holding of debt securities issued by corporate issuers. Our held-to-maturity investments remained effectively stable at RMB21,615 million at June 30, 2015.

Our financial investments classified as loans and receivables consist of investment products under trust schemes, investment products managed by securities companies, wealth management products issued by financial institutions, and investments in rights to rent receivables under financial leases. Our financial investments classified as loans and receivables, net of allowance for impairment losses, increased by 70.1% from RMB13,173 million at December 31, 2012 to RMB22,412 million at December 31, 2013, primarily due to an increase in our holding of investment products under trust schemes. These financial investments, net of allowance for impairment losses, more than doubled from RMB22,412 million at December 31, 2013 to RMB45,502 million at December 31, 2014, primarily due to increases in our holding of investment products managed by securities companies and investment products under trust schemes. These financial investments, net of allowance for impairment losses, further increased to RMB52,055 million at June 30, 2015. The overall increases in our financial investments classified as loans and receivables primarily reflected our efforts to diversify, and to seek higher returns on, our investment portfolio.

Distribution of Investment Securities and Other Financial Assets by Remaining Maturity

The following table sets forth, at the date indicated, the balance of our investment securities and other financial assets by remaining maturity.

	At June 30, 2015						
	Repayable on demand	Due within 3 months	Due between 3 to 12 months	Due between 1 and 5 years	Due over 5 years	Infinite	Total
	(in millions of RMB)						
Financial assets at fair value through profit or loss	—	—	15,167	—	—	—	15,167
Available-for-sale financial assets	—	1,321	483	50	106	8	1,968
Held-to-maturity investments	—	450	2,145	12,589	6,431	—	21,615
Loans and receivables	359	16,407	8,485	26,281	—	523	52,055
Total investment securities and other financial assets	**359**	**18,178**	**26,280**	**38,920**	**6,537**	**531**	**90,805**

Carrying Value and Fair Value

All of our investment securities and financial assets classified as available-for-sale are stated at fair value on our statements of financial position. The following table sets forth, at the dates indicated, the carrying value and the fair value of our held-to-maturity investments in our investment portfolio.

	At December 31,						At 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 investments	7,098	7,210	16,730	16,189	22,065	22,409	21,615	22,138

Our financial investments classified as loans and receivables are stated at amortized cost on our statements of financial position. The fair value of our financial investments classified as loans and receivables approximate their amortized cost.

Investment Concentration

The table below sets forth, at the date indicated, our investment securities and other financial assets whose carrying value exceeded 10% of our shareholders' equity.

	At June 30, 2015		
	Carrying Value	% of total investment securities and other financial assets	% of total shareholders' equity
	(in millions of RMB, except percentages)		
China Development Bank Corporation	10,027	11.1%	80.6%
MOF	7,168	7.9	57.6
Agricultural Development Bank of China Limited ...	6,334	7.0	50.9
The Export-Import Bank of China	3,562	3.9	28.6
Zhengzhou Non-tax Income Administration Bureau .	3,384	3.7	27.2
Total	**30,475**	**33.6%**	**244.9%**

Other Components of Our Assets

Other components of our assets consist of (i) cash and deposits with central bank, (ii) deposits with banks and other financial institutions, (iii) placements with banks and other financial institutions, (iv) financial assets held under resale agreements, (v) interest in associates, and certain other assets. These assets amounted to RMB24,691 million, RMB40,070 million, RMB45,564 million and RMB50,532 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

Cash and deposits with central bank consist primarily of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum level of cash deposits that we are required to maintain with PBoC. The minimum level is determined as a percentage of our deposits from customers. Please see "Supervision and Regulation — Required Deposit Reserve". Surplus deposit reserves are deposits with PBoC in excess of statutory deposit reserves which we maintain for settlement and clearing purposes. Our cash and deposits with central bank increased by 24.6% from RMB18,436 million at December 31, 2012 to RMB22,980 million at December 31, 2013, primarily due to an increase in our statutory deposit reserves in line with the increase in our customer deposits. Our cash and deposits with central bank increased by 47.3% from RMB22,980 million at December 31, 2013 to RMB33,855 million at December 31, 2014, primarily due to an increase in our statutory deposit reserves in line with the increase in our customer deposits, as well as an increase in our surplus deposit reserves as a result of our strengthened liquidity risk management. Our cash and deposits with central bank remained effectively stable at RMB32,694 million at June 30, 2015.

Deposits with banks and other financial institutions consist primarily of our account balances maintained at other banks and financial institutions for settlement and clearance purposes and negotiated deposits with other banks. Our deposits with banks and other financial institutions, net of allowance for impairment losses, almost tripled from RMB2,084 million at December 31, 2012 to RMB6,196 million at December 31, 2013, primarily reflecting our preference for interbank deposits of lower risk. These deposits decreased by 70.4% from RMB6,196 million at December 31, 2013 to RMB1,835 million at December 31, 2014, primarily due to our increased allocation of funds to other, higher-yielding assets. These deposits amounted to RMB3,245 million at June 30, 2015. Our allowance for impairment losses for deposits with banks and other financial institutions amounted to RMB61,000 at December 31, 2012 and 2013. We did not book any allowance for impairment losses for our deposits with banks and other financial institutions at December 31, 2014 and June 30, 2015 because there was no perceived credit risk arising from these deposits as of these dates.

Placements with banks and other financial institutions consist of interbank lending. We had placements with banks and other financial institutions of RMB886 million at December 31, 2013 and RMB1,862 million at June 30, 2015, respectively. We did not have any of these assets at December 31, 2012 and 2014. The changes in our placements with banks and other financial institutions primarily reflected the changes in our liquidity status at the respective dates.

Our financial assets held under resale agreements amounted to RMB2,181 million, RMB7,268 million, RMB6,576 million and RMB8,674 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The changes in these assets primarily reflected our liquidity management efforts around the respective dates.

We also hold an equity interest in each of the three county banks, namely, Zhongmu Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd. and Yanling Zhengyin County Bank Co., Ltd. Our holding of equity interest in these county banks is reported as interest in associates on our statements of financial position. Our interest in associates amounted to RMB83 million, RMB119 million, RMB146 million and RMB170 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. As of June 30, 2015, we held 19.7% equity interest in Zhongmu Zhengyin County Bank Co., Ltd., 20.0% in Xinmi Zhengyin County Bank Co., Ltd. and 30.0% in Yanling Zhengyin County Bank Co., Ltd.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities increased by 45.5% from RMB96,063 million at December 31, 2012 to RMB139,798 million at December 31, 2013, which in turn increased by 38.0% to RMB192,884 million at December 31, 2014. Our total liabilities further increased to RMB212,966 million at June 30, 2015. The increase in our total liabilities was primarily attributable to the continued increase in our deposits from customers.

The following table sets forth, at the dates indicated, the components of our total liabilities.

	At December 31,						At 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	74,654	77.7%	102,097	73.0%	132,561	68.7%	146,163	68.6%
Deposits from banks and other financial institutions	7,928	8.3	14,213	10.2	32,187	16.7	29,923	14.1
Placements from banks and other financial institutions	200	0.2	2,000	1.4	1,003	0.5	1,862	0.9
Financial assets sold under repurchase agreements	11,328	11.8	13,490	9.6	15,783	8.2	12,023	5.6
Debt securities issued	690	0.7	5,690	4.1	8,504	4.4	18,585	8.7
Other liabilities[(1)]	1,263	1.3	2,308	1.7	2,846	1.5	4,410	2.1
Total liabilities	**96,063**	**100.0%**	**139,798**	**100.0%**	**192,884**	**100.0%**	**212,966**	**100.0%**

(1) Consists of interest payables, payment and collection clearance accounts, tax payable, accrued staff costs, dormant accounts, dividend payable, provisions, amounts due to central bank, and certain other liabilities.

Deposits from Customers

Deposits from customers have historically been our primary source of funding, representing 77.7%, 73.0%, 68.7%, and 68.6% of our total liabilities at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. We provide demand and time deposit products to corporate and retail customers. The following table sets forth, at the dates indicated, our deposits from customers by product type.

	At December 31,						At 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[1]								
Time[2]	9,726	13.0%	17,938	17.6%	24,368	18.4%	30,515	20.9%
Demand	32,973	44.2	40,762	39.9	49,757	37.5	49,394	33.8
Subtotal	42,699	57.2	58,700	57.5	74,125	55.9	79,909	54.7
Personal deposits								
Time[2]	12,983	17.4	19,402	19.0	27,420	20.7	31,398	21.5
Demand	7,939	10.6	10,423	10.2	10,603	8.0	11,020	7.5
Subtotal	20,922	28.0	29,825	29.2	38,023	28.7	42,418	29.0
Others[3]	11,033	14.8	13,572	13.3	20,413	15.4	23,836	16.3
Total	**74,654**	**100.0%**	**102,097**	**100.0%**	**132,561**	**100.0%**	**146,163**	**100.0%**

(1) Includes deposits from government authorities.

(2) Includes principal-protected wealth management products we issued, which we booked as time deposits pursuant to regulatory requirements.

(3) Consists primarily of margin deposits, funds deposited with us for remittance and temporary deposits.

Our deposits from customers increased by 36.8% from RMB74,654 million at December 31, 2012 to RMB102,097 million at December 31, 2013, which in turn increased by 29.8% to RMB132,561 million at December 31, 2014. Our total deposits from customers further increased to RMB146,163 million at June 30, 2015. The continued increases in our customer deposits primarily reflected our overall business growth and, additionally, resulted from the expansion of our branch and sub-branch network.

Our corporate deposits increased by 37.5% from RMB42,699 million at December 31, 2012 to RMB58,700 million at December 31, 2013, which in turn increased by 26.3% to RMB74,125 million at December 31, 2014. Our corporate deposits amounted to RMB79,909 million at June 30, 2015. The continued increases in our corporate deposits primarily reflected our overall business growth and, additionally, resulted from the expansion of our branch and sub-branch network.

Our personal deposits increased by 42.6% from RMB20,922 million at December 31, 2012 to RMB29,825 million at December 31, 2013, which in turn increased by 27.5% to RMB38,023 million at December 31, 2014. Our personal deposits further increased to RMB42,418 million at June 30, 2015. The continued increase in our personal deposits were primarily due to our continued efforts to grow retail banking business, the expansion of our branch and sub-branch network for our retail banking business and the growth in our retail customer base.

Our demand deposits increased by 25.1% from RMB40,912 million at December 31, 2012 to RMB51,185 million at December 31, 2013, which in turn increased by 17.9% to RMB60,360 million at December 31, 2014. Our demand deposits amounted to RMB60,414 million at June 30, 2015. The increase in our demand deposits primarily reflected our overall business growth. Our time deposits increased, both in absolute terms and as a percentage of our total customer deposits, from RMB22,709 million and 30.4% at December 31, 2012 to RMB37,340 million and 36.6% at December 31, 2013, which in turn increased to RMB51,788 million and 39.1% at December 31, 2014. At June 30, 2015, our time deposits further increased to RMB61,913 million, representing 42.4% of our total customer deposits. The continued increases in our time deposits, both in absolute terms and as a percentage of our total customer deposits, resulted primarily from our focused efforts to market our time deposits and principal-protected wealth management products to continue to build up a stable deposit customer base, and preference of our customers for time deposits for higher returns.

Distribution of Deposits by Geographical Region

We classify the geographic distribution of deposits based on the location of the branch and sub-branch taking the deposits. The following table sets forth, at the dates indicated, the distribution of our deposits from customers by geographic region.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Zhengzhou	71,791	96.2%	96,523	94.5%	120,874	91.2%	131,768	90.2%
Other regions[1]	2,863	3.8	5,574	5.5	11,687	8.8	14,395	9.8
Total deposits from customers	**74,654**	**100.0%**	**102,097**	**100.0%**	**132,561**	**100.0%**	**146,163**	**100.0%**

(1) Consists of customer deposits in Nanyang, Xinxiang, Luoyang, Anyang, Shangqiu and Xuchang.

Distribution of Deposits by Remaining Maturity

The following table sets forth, at the date indicated, the distribution of our deposits from customers by remaining maturity.

	At 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			
	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Total	% of total deposits
	(in millions of RMB, except percentages)									
Corporate deposits	49,394	33.8%	3,095	2.1%	10,612	7.3%	16,808	11.5%	79,909	54.7%
Personal deposits	11,020	7.5	10,702	7.3	15,027	10.3	5,669	3.9	42,418	29.0
Other deposits[1]	1,789	1.3	9,132	6.2	12,634	8.6	281	0.2	23,836	16.3
Total deposits from customers	**62,203**	**42.6%**	**22,929**	**15.6%**	**38,273**	**26.2%**	**22,758**	**15.6%**	**146,163**	**100.0%**

(1) Consists of margin deposits, funds deposited with us for remittance and temporary deposits.

Deposits from Customers by Currency

Substantially all of our deposits from customers during the Track Record Period were denominated in Renminbi. The following table sets forth, at the dates indicated, the distribution of our deposits from customers by currency.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB equivalent, except percentages)							
Renminbi deposits	74,654	100.0%	102,097	100.0%	132,555	100.0%	142,893	97.8%
U.S. dollar deposits	—	—	—	—	6	—	3,270	2.2
Total deposits from customers	**74,654**	**100.0%**	**102,097**	**100.0%**	**132,561**	**100.0%**	**146,163**	**100.0%**

Our U.S. dollar-denominated customer deposits increased significantly from RMB6 million equivalent at December 31, 2014 to RMB3,270 million equivalent at June 30, 2015, primarily due to our efforts to grow our foreign currency-denominated deposits in order to support our international trade finance business which we commenced in 2014.

Distribution of Corporate Deposits by Size

The following table sets forth, at the dates indicated, the distribution of our deposits, in terms of total balance of deposits from a single customer, from corporate customers by size.

	At December 31,						At 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 RMB10 million	5,660	13.3%	6,154	10.5%	5,619	7.6%	5,294	6.6%
Over RMB10 million up to RMB100 million	16,454	38.5	18,592	31.7	17,551	23.7	15,154	19.0
Over RMB100 million	20,585	48.2	33,954	57.8	50,955	68.7	59,461	74.4
Total corporate deposits	**42,699**	**100.0%**	**58,700**	**100.0%**	**74,125**	**100.0%**	**79,909**	**100.0%**

Distribution of Personal Deposits by Size

The following table sets forth, at the dates indicated, the distribution of our deposits, in terms of total balance of deposits from a single customer, from retail customers by size.

	At December 31,						At 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 RMB1 million	13,692	65.4%	17,795	59.7%	23,130	60.8%	25,581	60.4%
Over RMB1 million up to RMB5 million	3,129	15.0	4,527	15.2	5,747	15.1	5,992	14.1
Over RMB5 million up to RMB10 million	1,490	7.1	2,651	8.9	2,759	7.3	2,884	6.8
Over RMB10 million up to RMB30 million	1,752	8.4	2,572	8.6	2,866	7.5	3,492	8.2
Over RMB30 million up to RMB50 million	564	2.7	1,265	4.2	1,429	3.8	1,577	3.7
Over RMB50 million	295	1.4	1,015	3.4	2,092	5.5	2,892	6.8
Total personal deposits	**20,922**	**100.0%**	**29,825**	**100.0%**	**38,023**	**100.0%**	**42,418**	**100.0%**

Other Components of Our Liabilities

Other components of our liabilities consist of (i) deposits from banks and other financial institutions, (ii) placements from banks and other financial institutions, (iii) financial assets sold under repurchase agreements, (iv) debt securities issued, (v) tax payable, (vi) amounts due to central bank, and certain other liabilities.

Deposits from banks and other financial institutions increased by 79.3% from RMB7,928 million at December 31, 2012 to RMB14,213 million at December 31, 2013, which then more than doubled to RMB32,187 million at December 31, 2014, primarily due to our increased funding needs in line with the growth in our financial assets and our efforts to increase our interbank source of funds. Our deposits from banks and other financial institutions decreased to RMB29,923 million at June 30, 2015, primarily because we had relatively sufficient funding from other sources.

Placements from banks and other financial institutions consist primarily of money market borrowings. Placements from banks and other financial institutions increased significantly from RMB200 million at December 31, 2012 to RMB2,000 million at December 31, 2013. These placements decreased by 49.9% from RMB2,000 million at December 31, 2013 to RMB1,003 million at December 31, 2014. Our placements from banks and other financial institutions amounted to RMB1,862 million at June 30, 2015. The changes in placements from banks and other financial institutions primarily reflected changes in our liquidity needs at the respective dates.

Financial assets sold under repurchase agreements increased by 19.1% from RMB11,328 million at December 31, 2012 to RMB13,490 million at December 31, 2013, which in turn increased by 17.0% to RMB15,783 million at December 31, 2014. The increase in our financial assets sold under repurchase agreements was primarily due to our increased funding needs in line with the continued increase in our financial assets. These financial assets decreased to RMB12,023 million at June 30, 2015, primarily because we had relatively sufficient funding from other sources.

Debt securities issued consist primarily of (i) fixed rate subordinated bonds we issued on December 31, 2009, (ii) fixed interest rate financial bonds we issued on May 16, 2013, (iii) fixed rate tier-two capital bonds we issued on December 12, 2014, (iv) certificates of interbank deposit we issued on December 11, 2014, and (v) certificates of interbank deposit we issued for the six months ended June 30, 2015. On December 31, 2009, we issued fixed rate subordinated bonds in an aggregate principal amount of RMB690 million at a coupon rate of 6.5% per annum, maturing on December 30, 2019, with a redemption option attached at the end of the fifth year. We redeemed such subordinated bonds in full on December 31, 2014. On May 16, 2013, to fund our SME loans, we issued fixed rate financial bonds in an aggregate principal amount of RMB5.0 billion in two tranches: (i) fixed rate financial bonds in an aggregate principal amount of RMB2.4 billion at a coupon rate of 4.58% per annum, maturing on May 20, 2016, and (ii) fixed rate financial bonds in an aggregate principal amount of RMB2.6 billion at a coupon rate of 4.80% per annum, maturing on May 20, 2018, both with annual interest payments. On December 11, 2014, we issued certificates of interbank deposit in an aggregate principal amount of RMB1.5 billion at a coupon rate of 4.60% per annum, which matured on June 12, 2015. On December 12, 2014, to increase our tier-two capital, we issued fixed rate tier-two capital bonds in an aggregate principal amount of RMB2.0 billion at a coupon rate of 5.73% per annum, maturing on December 15, 2024. For the six months ended June 30, 2015, we issued a number of certificates of interbank deposit in an aggregate principal amount of RMB11.9 billion, with maturities of three months to one year. As a result of the foregoing, our debt securities issued amounted to RMB690 million, RMB5,690 million, RMB8,504 million and RMB18,585 million at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

You should read the discussion and analysis set forth in this section in conjunction with our historical financial information, together with the accompanying notes, included in Appendix I to this prospectus. Our historical financial information has been prepared in accordance with IFRS. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and based on our financial statements prepared in accordance with PRC GAAP.

OVERVIEW

We are the second largest city commercial bank headquartered in Henan Province in terms of total assets, total loans, customer deposits and total equity at December 31, 2014 and net profit for the year ended December 31, 2014. At June 30, 2015, our total assets was RMB225,412 million, gross loans (before taking into account related allowance for impairment losses) was RMB86,369 million, and total deposits from customers was RMB146,163 million. From 2012 to 2014, our net profit increased from RMB1,460 million to RMB2,463 million, growing at a CAGR of 29.9%, and our operating income increased from RMB3,578 million to RMB5,505 million, growing at a CAGR of 24.0%. We ranked the 376th in terms of total assets at December 31, 2014 among the top 1000 World Banks, as published by The Banker, an internationally renowned financial publication, in July 2015.

GENERAL FACTORS THAT AFFECT OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will be affected by various factors, including, among others, certain general factors set out below.

Economic Conditions of the PRC and Henan Province

We are headquartered in Zhengzhou, Henan Province of the PRC. Our results of operations and financial condition are affected by the economic conditions of the PRC, the economic measures taken by the PRC government, and factors relating to the economic development in Henan Province in particular. The PRC economy has experienced rapid growth in last three decades. Particularly, from 2009 to 2014, according to data released by NBS, the PRC's GDP grew at a CAGR of 13.3%. The PRC's economic growth has resulted in a substantial increase in corporate activities and individual wealth, which has in turn contributed to the rapid growth in the corporate and retail banking businesses of PRC commercial banks. For example, according to PBoC, from December 31, 2009 to December 31, 2014, total Renminbi-denominated loans and Renminbi-denominated deposits in the PRC banking industry grew at a CAGR of 15.4% and 13.8%, respectively. As for more recent developments, according to the 2014 PRC Banking Industry Operation Report released by CBRC, total assets of PRC commercial banks reached RMB134.8 trillion at the end of 2014, with the balance of total loans increased by 13.9% and the balance of total deposits increased by 9.6% as compared to the end of 2013.

After three decades of rapid development, China's economic growth has recently experienced slowdown. In 2014, China's GDP grew at 7.40%, the slowest in the past 24 years. Especially, the real estate, wholesale and retail and manufacturing sectors experienced a slowdown in 2014. The slowdown in these industries and in the overall economic growth has affected net profit and non-performing loan ratio of PRC commercial banks. Moreover, the increase in non-performing loans of PRC commercial banks in 2014 was larger than that for the previous three years combined and the non-performing loan ratio of the PRC commercial banking industry increased by 0.25 percentage point to 1.25% at the end of 2014 as compared to the end of 2013.

In recent years, the PRC government has implemented a series of macroeconomic and monetary policies, including (i) adjusting benchmark interest rates and statutory deposit reserve ratios applicable to commercial banks, as well as gradually liberalizing the regulatory regime for interest rates; (ii) imposing lending limits to control the growth of bank loans; and (iii) promoting the growth of certain industries or controlling overcapacity in certain other industries by issuing industry development guidelines. For details on recent changes to benchmark interest rates and the interest rate liberalization, please see "— Interest Rate". In addition, for example, effective September 6, 2015, PBoC lowered the statutory deposit ratio for all deposit taking financial institutions by 50 basis points, which may lower the cost of funds and increase the liquidity for commercial banks. Please see "Supervision and Regulation — Required Deposit Reserve". These macroeconomic and monetary policies have had significant impact on lending activities of PRC commercial banks and borrowers' demands for bank financing, which in turn may affect business, results of operations and financial condition of PRC commercial banks, including ours.

In recent years, Henan Province and Zhengzhou have seen a fast economic growth. The GDP for Henan Province amounted to RMB3,493.9 billion in 2014, ranking top among the 18 provinces in mid-west China, the 5th among all PRC provinces, and growing at a CAGR of 8.6% from 2012 to 2014. The GDP for Zhengzhou amounted to RMB678.3 billion in 2014, growing at a CAGR of 10.6% from 2012 to 2014. The State Council has announced multiple strategic plans in recent years regarding the economic development in Henan Province and Zhengzhou. For example, it published the Guidance Opinion of the State Council on Supporting Henan Province to Accelerate the Construction of Central Plains Economic Zone in September 2011, setting out a national strategic plan for the Central Plains Economic Zone, which intends to propel the industrialization, urbanization and agricultural modernization in Henan Province, to promote the development of local financial institutions, financial markets and products and the establishment of multi-tiered capital markets, and to accelerate the development of the Zhengdong New District with centralized financial functions. In March 2013, the State Council approved the Planning and Development of Zhengzhou Airport Economic Experimental Zone, designating Zhengzhou as the first pilot economic zone under the national strategic plans in China. Commercial banks operating in Henan Province and Zhengzhou are expected to benefit from such favorable strategic planning. Our operating income during the Track Record Period was derived primarily from Henan Province, and the present and future economic conditions of Henan Province and Zhengzhou will affect our business, results of operations and financial condition.

Interest Rates

Our results of operations have largely depended on our net interest income. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our net interest income accounted for 89.2%, 96.4%, 96.0% and 85.3% of our operating income, respectively. Net interest income is affected by interest rates and the balance of our interest-earning assets and interest-bearing liabilities. Interest rates applicable to us are sensitive to many factors that are beyond our control, such as the benchmark interest rates set by PBoC, regulations in the banking and financial sectors in the PRC, domestic and international economic and political conditions and competition in the banking industry.

In the PRC, interest rates on Renminbi-denominated loans and deposits are set by commercial banks with reference to the benchmark interest rates on loans and deposits published and adjusted from time to time by PBoC. PBoC lowered the benchmark interest rates on Renminbi-denominated loans and deposits several times in recent years. Please see "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits". In recent years, China continued gradual moves towards a market-based interest rate regime. Effective June 8, 2012, PBoC allowed financial institutions to set interest rates on Renminbi-denominated deposits at up to 110% of PBoC benchmark rates, which was subsequently raised to 120%, 130% and 150% of PBoC benchmark rates on November 22, 2014, March 1, 2015 and May 11, 2015, respectively. Effective August 26, 2015, PBoC removed interest rate cap on Renminbi-denominated deposits with tenors over one year. Effective October 24, 2015, PBoC removed the cap on interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on commercial considerations. As for interest rates on loans, effective July 20, 2013, PBoC abolished the floor rates for Renminbi-denominated loans (except for residential mortgage loans) and allowed financial institutions to set interest rates based on commercial considerations.

In the long run, interest rate liberalization may benefit banks by enabling them to set their interest rates on customer loans and deposits more freely. However, interest rate liberalization is also expected to bring challenges to PRC banks, in particular, when combined with the interest rate cuts aforementioned. Interest rate liberalization may intensify competition in the PRC banking industry as PRC commercial banks are expected to seek to make loans and take deposits at interest rates more favorable to customers, which could narrow banks' net interest spreads and net interest margin, including ours, thereby materially affecting our results of operations.

Regulatory Environment

The PRC banking industry is highly regulated. Our business, results of operations and financial condition may be materially affected by changes in PRC banking regulations and policies such as the scope of business activities PRC commercial banks are permitted to engage in, interests and fees PRC commercial banks are allowed to charge and restrictions imposed by regulatory authorities on PRC commercial banks in respect of credit extension to borrowers in specific industries or specific loan products. PRC commercial banks are mainly regulated by CBRC and PBoC. Specifically, CBRC primarily regulates risk management, corporate governance, capital adequacy, internal controls and disclosure requirements for PRC commercial banks. PBoC formulates interest rate policies, sets the statutory deposit reserve ratios, extends refinancing to commercial banks, accepts rediscounted bills from commercial banks, conducts open market operations and implements anti-money laundering regulations. Additionally, PRC commercial banks are also subject to supervision and regulation by other regulatory bodies such as SAFE, CSRC, CIRC, NDRC and MOF. Please see "Supervision and Regulation — Principal Regulators". Notably, the current regulatory environment set forth below is believed to have impact on the results of operations and financial condition of PRC commercial banks, including us.

The combination of low deposit interest rates and high demands for credit outside the bank lending system in China has led to the rapid expansion of higher-yielding investment products in recent years, particularly in the forms of wealth management products and trust schemes. Fast growing wealth management products and trust schemes are seen to have led to rising risk profiles. To regulate these financial products and alleviate credit risks arising therefrom, PRC regulators have introduced stringent regulations since 2013, requiring commercial banks to link each wealth management product with its underlying investment assets and imposing restrictions on banks' investments in non-standard credit assets. Please see "Supervision and regulation — Regulation on Principal Commercial Banking Activities — Wealth Management". On top of the effects of deteriorating credit assets quality, the PRC government has recently been working to repeal the implicit guarantees that have guarded trust schemes and wealth management products from failure. In addition, regulation of interbank business was tightened in 2014, impacting the interbank activities and the operations of interbank business of commercial banks. Please see "Supervision and Regulation — Regulation on Principal Commercial Banking Activities — Interbank Business". Any new requirements imposed by CBRC, PBoC or other regulatory authorities on PRC commercial banks' investment activities, sale of financial products and other wealth management services may affect our business, financial condition and results of operations.

Our results of operations are also subject to changes in other laws and regulations affecting our business and operations. For example, changes in tax laws and regulations may affect our deferred tax assets and liabilities and our income tax expenses. In addition, CBRC, CSRC and CIRC also require special licenses for the provision of certain banking services, and CBRC, PBoC and NDRC regulate fees and charges on banking services. Should these regulators impose additional license requirements or further restrictions on fees or charges in the future on existing or new financial services, our business, results of operations and financial position may be materially affected.

Development of China's Capital Markets and Internet Based Financial Services Platforms

Recently, China has launched a number of initiatives to develop and open up its capital markets, including replacing regulatory approval procedures with registration requirements for offering asset backed securities, deregulating public offerings of corporate bonds and permitting private placements of bonds upon registration, the launching of the Shanghai-Hong Kong Stock Connect, as well as the announcement of mutual recognition of funds between Mainland China and Hong Kong. These developments may adversely affect our core banking business. For example, the deepening of China's debt capital markets may impact our lending business, as certain corporate borrowers may replace bank loans with issuances of relatively lower-cost debt securities. On the other hand, the development of China's capital markets may allow us to expand our fee- and commission-based business and broaden the scope of our investment securities, which may offer higher yields than our traditional investments.

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, effectively transforming certain Internet companies into some of the largest fund managers in China. Bank profits are also being affected by the growing popularity of third party online payment platforms. 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 popular in China, indicating that Internet companies are playing an increasingly important role in China's payment system. On the other hand, mobile Internet technology has also become an important channel for us to connect with customers, advertise our products and services, integrate our resources and expand new sources of revenue. Like other commercial banks, we also face competitions from other types of Internet finance, such as P2P lending and crowdfunding. The above-mentioned innovation in products and technology may affect our business, results of operations and financial condition.

Competitive Landscape in the Banking Industry

Our operations are mainly affected by the competition in the banking industry of Henan Province where our branches and sub-branches are located. We compete principally with commercial banks operating in Henan Province, primarily on product offerings and prices, service quality, brand recognition and information technology capabilities. We also face competition from other banking and non-banking financial institutions, including agriculture credit cooperatives, securities firms, fund management companies and insurance companies.

Due to the introduction of and changes to relevant policies in the PRC in recent years, competition in certain lines of banking business has been further intensified. Moreover, a large number of commercial banks in the PRC have completed restructurings or public offerings, which have permitted them to offer more innovative products and higher quality services, and have afforded them greater adaptability in a changing market environment. The increase in competition and the resulting changes in the PRC banking industry may affect the pricing of our loans and deposits as well as our fee- and commission-based banking products and services.

SELECTED FINANCIAL DATA

The following table sets forth, for the periods indicated, our income statement.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014 (unaudited)	2015
	(in millions of RMB, except otherwise indicated)				
Interest income	4,774	6,812	9,602	4,376	6,107
Interest expense	(1,584)	(2,710)	(4,318)	(1,970)	(2,822)
Net interest income	3,190	4,102	5,284	2,406	3,285
Fee and commission income	75	198	382	148	344
Fee and commission expense	(13)	(36)	(34)	(9)	(12)
Net fee and commission income	62	162	348	139	332
Net trading gains/(losses)	28	(82)	(186)	45	161
Net (losses)/gains arising from investments	(1)	27	38	(35)	25
Other operating income	299	48	21	6	49
Operating income	3,578	4,257	5,505	2,561	3,852
Operating expense	(1,342)	(1,386)	(1,842)	(781)	(920)
Provision for impairment losses	(328)	(400)	(497)	(238)	(672)
Operating profit	1,908	2,471	3,166	1,542	2,260
Share of profits of associates	15	36	37	16	24
Profit before tax	1,923	2,507	3,203	1,558	2,284
Income tax expense	(463)	(605)	(740)	(354)	(533)
Net profit	**1,460**	**1,902**	**2,463**	**1,204**	**1,751**
Basic and diluted earnings per Share (in RMB)	0.37	0.48	0.62	0.31	0.44

The following table sets forth, at the dates indicated, our statements of financial position.

	At December 31,			At June 30,
	2012	2013	2014	2015
	(in millions of RMB)			
Assets				
Cash and deposits with central bank	18,436	22,980	33,855	32,694
Deposits with banks and other financial institutions	2,084	6,196	1,835	3,245
Placements with banks and other financial institutions	—	886	—	1,862
Financial assets at fair value through profit or loss	6,705	7,990	10,967	15,167
Financial assets held under resale agreements	2,181	7,268	6,576	8,674
Loans and advances to customers	49,153	61,536	76,226	84,075
Financial investments				
Available-for-sale financial assets	2,914	596	3,965	1,968
Held-to-maturity investments	7,098	16,730	22,065	21,615
Loans and receivables	13,173	22,412	45,502	52,055
Interest in associates	83	119	146	170
Property and equipment	739	926	1,159	1,214
Deferred tax assets	167	251	338	459
Other assets[1]	1,001	1,444	1,655	2,214
Total assets	**103,734**	**149,334**	**204,289**	**225,412**
Liabilities				
Amounts due to central bank	—	175	—	—
Deposits from banks and other financial institutions	7,928	14,213	32,187	29,923
Placements from banks and other financial institutions	200	2,000	1,003	1,862
Financial assets sold under repurchase agreements	11,328	13,490	15,783	12,023
Deposits from customers	74,654	102,097	132,561	146,163
Tax payable	139	303	260	431
Debt securities issued	690	5,690	8,504	18,585
Other liabilities[2]	1,124	1,830	2,586	3,979
Total Liabilities	**96,063**	**139,798**	**192,884**	**212,966**
Equity				
Share capital	3,942	3,942	3,942	3,942
Capital reserve	100	100	100	100
Surplus reserve	466	656	902	902
General reserve	1,033	1,623	2,313	2,313
Investment revaluation reserve	33	(5)	2	5
Deficit on remeasurement of net defined benefit liability	(19)	(18)	(27)	(30)
Retained earnings	2,116	3,238	4,173	5,214
Total equity	**7,671**	**9,536**	**11,405**	**12,446**
Total liabilities and equity	**103,734**	**149,334**	**204,289**	**225,412**

(1) Consists of interest receivables, prepayments, other receivables, intangible assets and leasehold improvements.

(2) Consists of interest payables, payment and collection clearance accounts, accrued staff costs, dormant accounts, dividend payable, provisions, and certain other liabilities.

The following table sets forth, for the years indicated, our selected financial ratios.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014[(1)]	2015[(1)]
Profitability indicators					
Return on average total assets[(2)]	1.67%	1.50%	1.39%	1.52%	1.63%
Return on average equity[(3)]	21.04%	22.10%	23.52%	24.46%	29.36%
Net interest spread[(4)]	3.99%	3.30%	3.07%	3.12%	2.95%
Net interest margin[(5)]	4.00%	3.50%	3.31%	3.33%	3.17%
Net fee and commission income to operating income	1.74%	3.81%	6.32%	5.41%	8.63%
Cost-to-income ratio[(6)]	32.89%	27.06%	27.72%	24.54%	18.43%

(1) On an annualized basis.

(2) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.

(3) Calculated by dividing net profit for the period by average balance of total shareholders' equity at the beginning and the end of the period.

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

(5) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

(6) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income. The decrease in our cost-to-income ratio for the six months ended June 30, 2015 as compared to the same period in 2014 was primarily due to (i) a 50.4% increase in our operating income resulting primarily from our increased holding of investment products managed by securities companies and investment products under trust schemes and the overall growth in our lending business, and (ii) an increase in our operating expenses at a lower rate than our operating income, reflecting our enhanced cost management.

The following table sets forth, at the dates indicated, information relating to our certain regulatory indicators, calculated in accordance with the requirements of the PRC banking regulatory authorities and applicable accounting standards.

	At December 31,			At June 30,
	2012	2013	2014	2015
Capital adequacy indicators				
Calculated based on the Capital Adequacy Measures[1]				
Core capital adequacy ratio[2]	12.79%	N/A	N/A	N/A
Capital adequacy ratio[3]	15.26%	N/A	N/A	N/A
Calculated based on the Capital Administrative Measures[4]				
Core tier-one capital adequacy ratio[5]	N/A	10.28%	8.66%	8.55%
Tier-one capital adequacy ratio[6]	N/A	10.28%	8.66%	8.55%
Capital adequacy ratio[7]	N/A	12.08%	11.12%	10.92%
Total equity to total assets	7.40%	6.39%	5.58%	5.52%
Asset quality indicators				
Non-performing loan ratio[8]	0.47%	0.53%	0.75%	1.06%
Allowance to non-performing loans[9]	425.28%	425.54%	301.66%	250.40%
Allowance to total loans[10]	2.01%	2.24%	2.26%	2.66%
Other indicator				
Loan-to-deposit ratio	67.19%	61.65%	58.83%	59.09%

(1) Effective January 1, 2013, Capital Adequacy Measures is replaced by Capital Administrative Measures and is no longer effective.

(2) Calculated by dividing (i) core capital, net of core capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk. For the components of our core capital as calculated based on the Capital Adequacy Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(3) Calculated by dividing (i) total capital, net of capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk. For the components of our total capital as calculated based on the Capital Adequacy Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(4) CBRC published the Capital Administrative Measures on June 7, 2012, which became effective on January 1, 2013 and replaced the Capital Adequacy Measures.

(5) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets. For the components of our core tier-one capital as calculated by the Capital Administrative Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(6) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets. For the components of our tier-one capital as calculated by the Capital Administrative Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(7) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets. For the components of our total capital as calculated by the Capital Administrative Measures, please see "Supervision and Regulation — Supervision over Capital Adequacy — Latest CBRC Supervisory Standards Over Capital Adequacy".

(8) Calculated by dividing total non-performing loans by total loans to customers. Although our loan classification criteria are in compliance with the guidelines set forth by CBRC, certain of our loan classification criteria may not be the same as those adopted by other PRC commercial banks. For details on our loan classification criteria, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Loan Classification Criteria". For distribution of our loans to customers by loan classification, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Distribution of Loans by Loan Classification". For details on the changes in our non-performing loans, please see "Assets and Liabilities — Assets — Loans to Customers — Asset Quality of Our Loan Portfolio — Changes in Asset Quality of Our Loans".

(9) Calculated by dividing allowance for impairment losses on loans to customers by total non-performing loans.

(10) Calculated by dividing allowance for impairment losses on loans to customers by total loans to customers.

Our return on average total assets increased from 1.52% for the six months ended June 30, 2014 to 1.63% for the same period in 2015, and our return on average equity increased from 24.46% for the six months ended June 30, 2014 to 29.36% for the same period in 2015, because our net profit increased at a higher rate than our average total assets and average equity. The increase in our average total assets for the six months ended June 30, 2015 compared to the same period in 2014 was substantially in line with our increased funding, consisting primarily of our deposits from customers and deposits and placements from banks and other financial institutions. The increase in our average equity for the six months ended June 30, 2015 compared to the same period in 2014 was primarily due to increases in our retained earnings and general reserves, reflecting our continued profitability. The increase in our net profit for the six months ended June 30, 2015 compared to the same period in 2014 was primarily due to an increase in our net interest income.

Our return on average total assets decreased from 1.67% in 2012 to 1.50% in 2013, which in turn decreased to 1.39% in 2014, because the average balance of our total assets increased at a higher rate than our net profit from 2012 to 2014. Our return on average equity increased from 21.04% in 2012 to 22.10% in 2013, which in turn increased to 23.52% in 2014, because our net profit increased at a higher rate than the average balance of our equity from 2012 to 2014. The increase in our average total assets from 2012 to 2014 was substantially in line with our increased funding, consisting primarily of our deposits from customers and deposits and placements from banks and other financial institutions. The increase in our average equity from 2012 to 2014 was primarily due to increases in our retained earnings and general reserves, reflecting our continued profitability. The increase in our net profit from 2012 to 2014 was primarily due to an increase in our net interest income.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2015

The following table sets forth, for the periods indicated, our condensed results of operations.

	For the six months ended June 30,	
	2014 (unaudited)	2015
	(in millions of RMB)	
Interest income	4,376	6,107
Interest expense	(1,970)	(2,822)
Net interest income	2,406	3,285
Fee and commission income	148	344
Fee and commission expense	(9)	(12)
Net fee and commission income	139	332
Net trading gains	45	161
Net (losses)/gains arising from investments	(35)	25
Other operating income	6	49
Operating income	2,561	3,852
Operating expenses	(781)	(920)
Provisions for impairment losses	(238)	(672)
Operating profit	1,542	2,260
Share of profit with associates	16	24
Profit before tax	1,558	2,284
Income tax expense	(354)	(533)
Net profit	**1,204**	**1,751**

Our net profit increased by 45.4% from RMB1,204 million for the six months ended June 30, 2014 to RMB1,751 million for the same period in 2015, primarily due to increases in our net interest income, net fee and commission income, and net trading gains, which was partially offset by increases in our provision for impairment losses, income tax expense and operating expenses.

Net Interest Income

Net interest income is the largest component of our operating income, representing 93.9% and 85.3% of our 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 (unaudited)	2015
	(in millions of RMB)	
Interest income	4,376	6,107
Interest expense	(1,970)	(2,822)
Net interest income	**2,406**	**3,285**

Our net interest income increased by 36.5% from RMB2,406 million for the six months ended June 30, 2014 to RMB3,285 million for the same period in 2015, primarily due to a 39.6% increase in our interest income, which was partially offset by a 43.2% increase in our interest expense.

The following table sets forth, for the periods indicated, the average balances of our interest-earning assets and interest-bearing liabilities and the related interest income or expense and the related average yields on interest-earning assets or related average costs of interest-bearing liabilities. The average balances of interest-earning assets and interest-bearing liabilities are the average of the daily balances, which are derived from our management accounts and have not been audited.

	For the six months ended June 30,					
	2014			2015		
	Average balance	Interest income/ expense	Average yield/ cost(1)	Average balance	Interest income/ expense	Average yield/ cost(1)
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans to customers	66,551	2,414	7.25%	85,094	2,964	6.97%
Investment securities and other financial assets(2)	49,773	1,590	6.39	89,548	2,800	6.25
Deposits with central bank(3)	19,348	151	1.56	24,943	196	1.57
Amounts due from banks and other financial institutions(4)	8,812	221	5.02	7,626	147	3.86
Total interest-earning assets	**144,484**	**4,376**	**6.06%**	**207,211**	**6,107**	**5.89%**
Interest-bearing liabilities						
Deposits from customers	100,665	1,118	2.22%	135,399	1,520	2.24%
Amounts due to banks and other financial institutions(5)	27,615	709	5.13	45,779	1,056	4.61
Debt securities issued	5,690	140	4.92	10,521	246	4.68
Amounts due to central bank	109	3	5.50	—	—	—
Total interest-bearing liabilities	**134,079**	**1,970**	**2.94%**	**191,699**	**2,822**	**2.94%**
Net interest income		**2,406**			**3,285**	
Net interest spread(6)			**3.12%**			**2.95%**
Net interest margin(7)			**3.33%**			**3.17%**

(1) On an annualized basis.

(2) Consists of our financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and financial investments classified as loans and receivables.

(3) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(4) Consists of deposits and placements with banks and other financial institutions, and financial assets held under resale agreements.

(5) Consists of deposits and placements from banks and other financial institutions, and financial asset sold under repurchase agreements.

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

(7) Calculated by dividing net interest income by the average balance of total interest-earning assets.

The following table sets forth, for the periods indicated, the allocation of changes in our interest income and interest expense due to changes in volume and changes in rate. Changes in volume are measured by changes in the daily average balances and changes in rate are measured by changes in the annualized average rates. Changes caused by both volume and rate have been allocated to changes in volume.

	For the six months ended June 30, 2015 vs. 2014		
	Increase/(decrease) due to		Net increase/
	Volume(1)	Rate(2)	(decrease)(3)
	(in millions of RMB)		
Interest-earning assets			
Loans to customers	652	(102)	550
Investment securities and other financial assets(4)	1,244	(34)	1,210
Deposits with central bank	44	1	45
Amounts due from banks and other financial institutions(5)	(23)	(51)	(74)
Changes in interest income	**1,917**	**(186)**	**1,731**
Interest-bearing liabilities			
Deposits from customers	390	12	402
Amounts due to banks and other financial institutions(6)	419	(72)	347
Debt securities issued	113	(7)	106
Amounts due to central bank	—	(3)	(3)
Changes in interest expense	**922**	**(70)**	**852**
Changes in net interest income	**995**	**(116)**	**879**

(1) Represents the daily average balance for the period minus the daily average balance for the previous period, multiplied by the average yield/cost for the period.

(2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the daily average balance for the previous period.

(3) Represents interest income/expense for the period minus interest income/expense for the previous period.

(4) Consists of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and financial investments classified as loans and receivables.

(5) Consists of deposits and placements with banks and other financial institutions, and financial assets held under resale agreements.

(6) Consist of deposits and placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Interest Income

The following table sets forth, for the periods indicated, the breakdown of our interest income.

	For the six months ended June 30,			
	2014 (unaudited)		2015	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Loans to customers				
Corporate loans	1,657	37.9%	2,014	33.0%
Personal loans	611	14.0	816	13.3
Discounted bills[1]	146	3.3	134	2.2
Subtotal	2,414	55.2	2,964	48.5
Investment securities and other financial assets[2]	1,590	36.3	2,800	45.9
Deposits with central bank	151	3.5	196	3.2
Amounts due from banks and other financial institutions[3]	221	5.0	147	2.4
Total interest income	**4,376**	**100.0%**	**6,107**	**100.0%**

(1) Our interest income from discounted bills are net of the interest expense we paid when rediscounting bills to other banks.

(2) Consists of financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and financial investments classified as loans and receivables.

(3) Consists of deposits and placements with banks and other financial institutions, and financial assets held under resale agreements.

Our interest income increased by 39.6% from RMB4,376 million for the six months ended June 30, 2014 to RMB6,107 million for the same period in 2015, primarily due to a 43.4% increase in the average balance of our interest-earning assets from RMB144,484 million for the six months ended June 30, 2014 to RMB207,211 million for the same period in 2015, which was partially offset by a decrease in the average yield on our interest-earning assets from 6.06% for the six months ended June 30, 2014 to 5.89% for the same period in 2015. The increase in the average balance of our interest-earning assets was primarily attributable to increases in our investment securities and other financial assets and loans to customers. The decrease in the average yield on our interest-earning assets was primarily due to decreases in the average yield on our loans to customers and amounts due from banks and other financial institutions.

Interest Income from Loans to Customers

Interest income from loans to customers is the largest component of our interest income, representing 55.2% and 48.5% of our interest income for the six months ended June 30, 2014 and 2015, respectively.

The following table sets forth, for the periods indicated, the daily average balance, interest income from and average yield on each component of our loans to customers.

	For the six months ended June 30,					
	2014			2015		
	Average balance	Interest income	Average yield[(1)]	Average balance	Interest income	Average yield[(1)]
	(in millions of RMB, except percentages)					
Corporate loans	45,201	1,657	7.33%	57,834	2,014	6.96%
Personal loans	16,796	611	7.28	22,527	816	7.24
Discounted bills[(2)]	4,554	146	6.41	4,733	134	5.66
Total loans to customers	**66,551**	**2,414**	**7.25%**	**85,094**	**2,964**	**6.97%**

(1) On an annualized basis.

(2) The average balance of our discounted bills is net of the bills we rediscounted to other banks. Our interest income from discounted bills is net of interest expenses we paid on the rediscounting bills.

Interest income from loans to customers increased by 22.8% from RMB2,414 million for the six months ended June 30, 2014 to RMB2,964 million for the same period in 2015, primarily due to a 27.9% increase in the average balance of our loans to customers from RMB66,551 million for the six months ended June 30, 2014 to RMB85,094 million for the same period in 2015, which was partially offset by a decrease in the average yield on loans to customers from 7.25% for the six months ended June 30, 2014 to 6.97% for the same period in 2015. The increase in the average balance of our loans to customers primarily reflected the overall growth in our lending business. The decrease in the average yield on loans to customers was primarily due to a decrease in the market interest rates as a result of the consecutive cuts in the benchmark interest rates by PBoC in the second half of 2014 and the first half of 2015 as well as increased competition.

The largest component of our interest income from loans to customers has been interest income from corporate loans, representing 68.6% and 67.9% of our total interest income from loans to customers for the six months ended June 30, 2014 and 2015, respectively.

Corporate Loans. Interest income from corporate loans increased by 21.5% from RMB1,657 million for the six months ended June 30, 2014 to RMB2,014 million for the same period in 2015, primarily due to a 27.9% increase in the average balance of our corporate loans from RMB45,201 million for the six months ended June 30, 2014 to RMB57,834 million for the same period in 2015, which was partially offset by a decrease in the average yield on our corporate loans from 7.33% for the six months ended June 30, 2014 to 6.96% for the same period in 2015. The increase in the average balance of our corporate loans primarily reflected the overall growth of our corporate loan business. The decrease in the average yield on our corporate loans was primarily due to the consecutive cuts in PBoC benchmark interest rates and increased competition.

Personal Loans. Interest income from personal loans increased by 33.6% from RMB611 million for the six months ended June 30, 2014 to RMB816 million for the same period in 2015, primarily due to a 34.1% increase in the average balance of our personal loans from RMB16,796 million for the six months ended June 30, 2014 to RMB22,527 million for the same period in 2015, reflecting our continued support to small and micro business owners.

Discounted Bills. Interest income from discounted bills decreased by 8.2% from RMB146 million for the six months ended June 30, 2014 to RMB134 million for the same period in 2015, primarily due to a decrease in the average yield on our discounted bills from 6.41% for the six months ended June 30, 2014 to 5.66% for the same period in 2015, which was partially offset by a 3.9% increase in the average balance of our discounted bills from RMB4,554 million for the six months ended June 30, 2014 to RMB4,733 million for the same period in 2015. The decrease in the average yield on our discounted bills was primarily due to a decrease in the market interest rates as a result of the consecutive cuts in the benchmark interest rates by PBoC in the second half of 2014 and the first half of 2015.

Interest Income from Investment Securities and Other Financial Assets

Interest income from investment securities and other financial assets consists of interest income from our financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, and financial investments classified as loans and receivables. Interest income from investment securities and other financial assets is the second largest component of our interest income, representing 36.3% and 45.9% of our interest income for the six months ended June 30, 2014 and 2015, respectively.

Interest income from investment securities and other financial assets increased by 76.1% from RMB1,590 million for the six months ended June 30, 2014 to RMB2,800 million for the same period in 2015, primarily due to a 79.9% increase in the average balance of these financial assets from RMB49,773 million for the six months ended June 30, 2014 to RMB89,548 million for the same period in 2015 as a result of our increased holding of investment products managed by securities companies and investment products under trust schemes. The average yield on our investment securities and other financial assets decreased from 6.39% for the six months ended June 30, 2014 to 6.25% for the same period in 2015, primarily due to an overall decrease in the market interest rates as a result of increased liquidity on the market and the consecutive cuts in PBoC benchmark interest rates.

Interest Income from Deposits with Central Bank

Our deposits with central bank consist primarily of statutory deposit reserves and surplus deposit reserves with PBoC. Statutory deposit reserves represent the minimum level of cash deposits, calculated as a percentage of the balance of our 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 deposits with central bank increased by 29.8% from RMB151 million for the six months ended June 30, 2014 to RMB196 million for the same period in 2015, primarily due to a 28.9% increase in the average balance of our deposits with central bank from RMB19,348 million for the six months ended June 30, 2014 to RMB24,943 million for the same period in 2015. The increase in the average balance of our deposits with central bank was primarily attributable to the increase in our statutory deposit reserve in line with the growth in our deposits from customers.

Interest Income from Amounts due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions consists of interest earned on our deposits and placements with banks and other financial institutions and financial assets held under resale agreements, representing 5.0% and 2.4% of our total interest income for the six months ended June 30, 2014 and 2015, respectively.

Interest income from amounts due from banks and other financial institutions decreased by 33.5% from RMB221 million for the six months ended June 30, 2014 to RMB147 million for the same period in 2015, primarily due to a decrease in the average yield on our amounts due from banks and other financial institutions from 5.02% for the six months ended June 30, 2014 to 3.86% for the same period in 2015 and, to a lesser extent, a 13.5% decrease in the average balance of our amounts due from banks and other financial institutions from RMB8,812 million for the six months ended June 30, 2014 to RMB7,626 million for the same period in 2015. The decrease in the average yield on these assets was primarily due to a decrease in the interbank market interest rates, which resulted from increased liquidity on the market and the consecutive cuts in PBoC benchmark interest rates. The decrease in the average balance of our amounts due from banks and other financial institutions was primarily due to our increased allocation of funds to other assets of higher yields.

Interest Expense

The following table sets forth, for the periods indicated, the breakdown of our interest expense.

	For the six months ended June 30,			
	2014 (unaudited)		2015	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Deposits from customers	1,118	56.7%	1,520	53.9%
Amounts due to banks and other financial institutions[(1)]	709	36.0	1,056	37.4
Debt securities issued	140	7.1	246	8.7
Amounts due to central bank	3	0.2	—	—
Total interest expense	**1,970**	**100.0%**	**2,822**	**100.0%**

(1) Consists of deposits and placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Our interest expense increased by 43.2% from RMB1,970 million for the six months ended June 30, 2014 to RMB2,822 million for the same period in 2015, primarily due to a 43.0% increase in the average balance of our interest-bearing liabilities from RMB134,079 million for the six months ended June 30, 2014 to RMB191,699 million for the same period in 2015, primarily attributable to an increase in the average balance of our customer deposits.

Interest Expense on Deposits from Customers

Deposits from customers are our primary source of funding. Interest expense on deposits from customers represented 56.7% and 53.9% of our total interest expense for the six months ended June 30, 2014 and 2015, respectively.

The following table sets forth, for the periods indicated, the daily average balance, interest expense and average cost for our corporate and personal deposits by product type.

	For the six months ended June 30,					
	2014			2015		
	Average balance	Interest expense	Average cost(1)	Average balance	Interest expense	Average cost(1)
	(in millions of RMB, except percentages)					
Corporate deposits(2)						
Time(3)	18,022	453	5.02%	24,297	529	4.36%
Demand	35,508	104	0.58	49,046	143	0.58
Subtotal	53,530	557	2.08	73,343	672	1.84
Personal deposits						
Time(3)	20,718	352	3.40	29,939	579	3.86
Demand	9,193	23	0.50	10,252	23	0.44
Subtotal	29,911	375	2.50	40,191	602	3.00
Others(4)	17,224	186	2.16	21,865	246	2.26
Total deposits from customers	**100,665**	**1,118**	**2.22%**	**135,399**	**1,520**	**2.24%**

(1) On an annualized basis.

(2) Consists primarily of deposits from corporate customers, government agencies and other organizations.

(3) Includes principal-protected wealth management products we issued, which we booked as time deposits pursuant to regulatory requirements.

(4) Consists primarily of margin deposits, funds deposited with us for remittance and temporary deposits.

Interest expense on deposits from customers increased by 36.0% from RMB1,118 million for the six months ended June 30, 2014 to RMB1,520 million for the same period in 2015, primarily due to a 34.5% increase in the average balance of our customer deposits from RMB100,665 million for the six months ended June 30, 2014 to RMB135,399 million for the same period in 2015, which primarily reflected our overall business growth and also resulted from the expansion of our branch and sub-branch network. Particularly, the increases in the average balance and average cost of our time deposits from retail customers also reflected an increase in the principal-protected wealth management products we issued, which bear relatively higher costs, as a percentage of our time deposits from retail customers.

Interest Expense on Amounts due to Banks and Other Financial Institutions

Amounts due to banks and other financial institutions consist of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements. Interest expense on amounts due to banks and other financial institutions represented 36.0% and 37.4% of our total interest expense for the six months ended June 30, 2014 and 2015, respectively.

Interest expense on amounts due to banks and other financial institutions increased by 48.9% from RMB709 million for the six months ended June 30, 2014 to RMB1,056 million for the same period in 2015, primarily due to a 65.8% increases in the average balance of amounts due to banks and other financial institutions from RMB27,615 million for the six months ended June 30, 2014 to RMB45,779 million for the same period in 2015, which was partially offset by a decrease in the average cost from 5.13% for the six months ended June 30, 2014 to 4.61% for the same period in 2015. The increase in the average balance of our amounts due to banks and other financial institutions primarily resulted from our increased sources of funding from the interbank market and our increased liquidity needs. The decrease in the average cost of our amounts due to banks and other financial institutions was primarily due to a decrease in the market interest rates as a result of increased market liquidity and the consecutive interest rate cuts by PBoC.

Interest Expense on Debt Securities Issued

Interest expenses on debt securities issued represented 7.1% and 8.7% of our interest expenses for the six months ended June 30, 2014 and 2015, respectively. Our debt securities issued consist of (i) fixed rate subordinated bonds we issued on December 31, 2009, (ii) fixed interest rate financial bonds we issued on May 16, 2013, (iii) fixed rate tier-two capital bonds we issued on December 12, 2014, (iv) certificate of interbank deposits we issued on December 11, 2014, and (v) certificate of interbank deposits we issued in the first half of 2015. For further details of our debt securities issued, please see "Assets and Liabilities — Liabilities and Sources of Funds — Other Components of Our Liabilities".

Interest expenses on debt securities issued increased by 75.7% from RMB140 million for the six months ended June 30, 2014 to RMB246 million for the same period in 2015, primarily due to a 84.9% increase in the average balance of our debt securities issued from RMB5,690 million for the six months ended June 30, 2014 to RMB10,521 million for the same period in 2015 as a result of our issuance of tier-two capital bonds on December 12, 2014 and the certificates of interbank deposits on December 11, 2014 and in the first half of 2015.

Interest Expense on Amounts due to Central Bank

Our interest expense on amounts due to central bank was RMB3 million for the six months ended June 30, 2014. We did not incur any interest expense on amounts due to central bank for the six months ended June 30, 2015, as we did not have any outstanding borrowings from central bank during the first half of 2015.

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 of interest-bearing liabilities. Net interest margin is the ratio of net interest income to the daily average balance of total interest-earning assets.

Our annualized net interest spread decreased from 3.12% for the six months ended June 30, 2014 to 2.95% for the same period in 2015, because the average yield on our interest-earning assets decreased by 17 basis points. Our annualized net interest margin decreased from 3.33% for the six months ended June 30, 2014 to 3.17% for the same period in 2015, because the average balance of our interest-earning assets increased by 43.4% for the six months ended June 30, 2015 compared to the same period in 2014, higher than the 36.5% increase in our net interest income. The decreases in our net interest spread and net interest margin were primarily due to (i) a decrease in the average yield on our loans to customers, amounts due from banks and other financial institutions, and investment securities and other financial assets, (ii) an increase in the average cost of our deposits from customers, (iii) an increase in our amounts due to banks and other financial institutions and debt securities issued, which are of relatively high costs, as a percentage of our total liabilities.

Net Fee and Commission Income

Net fee and commission income represented 5.4% and 8.6% 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 (unaudited)	2015
	(in millions of RMB)	
Fee and commission income		
Agency and custody services fees	62	151
Acceptance and guarantee services fees	48	70
Underwriting and advisory fees	24	100
Bank card services fees	12	15
Settlement and clearing services fees	2	3
Others[(1)]	—	5
Total fee and commission income	**148**	**344**
Fee and commission expenses[(2)]	**(9)**	**(12)**
Net fee and commission income	**139**	**332**

(1) Consists primarily of fees earned on customers' reporting loss of bank cards and bank books, resetting passcodes and account management fees.

(2) Consists primarily of settlement and agency service expenses, bank card expenses and certain other fee and commission expenses.

Our net fee and commission income more than doubled from RMB139 million for the six months ended June 30, 2014 to RMB332 million for the same period in 2015, primarily due to increases in our fee and commission income, reflecting the overall growth in our fee- and commission-based business.

Fee and Commission Income

Our fee and commission income more than doubled from RMB148 million for the six months ended June 30, 2014 to RMB344 million for the same period in 2015, primarily due to increases in our agency and custody services fees and underwriting and advisory fees.

Agency and Custody Service Fees

Agency and custody service fees consist primarily of fees earned on agency services in connection with entrusted loans, trust fund custody, wealth management products, insurance agency services and fund distribution services. Our agency and custody service fees more than doubled from

RMB62 million for the six months ended June 30, 2014 to RMB151 million for the same period in 2015, primarily due to an increase in the agency and custody services we provided resulting from our continued efforts to grow our agency and custody service business.

Acceptance and Guarantee Services Fees

Acceptance and guarantee services fees consist primarily of fees earned from issuing bank acceptances, letters of guarantee and letters of credit to our customers. Our acceptance and guarantee services fees increased by 45.8% from RMB48 million for the six months ended June 30, 2014 to RMB70 million for the same period in 2015, primarily attributable to an increase in fees we earned on letters of credit issued, reflecting a growth in our trade finance business.

Bank Card Services Fees

Bank card services fees consist primarily of transaction fees from merchants on the use of our bank cards. Bank card services fees increased by 25.0% from RMB12 million for the six months ended June 30, 2014 to RMB15 million for the same period in 2015, primarily due to increases in the bank cards we issued and the volume of transactions using our bank cards.

Underwriting and Advisory Fees

Underwriting and advisory fees consist primarily of fees we earned from underwriting securities and providing advisory services to our customers on investment and financing activities. Our underwriting and advisory fees more than quadrupled from RMB24 million for the six months ended June 30, 2014 to RMB100 million for the same period in 2015, primarily due to increases in the advisory services we provided and bonds we underwrote in the first half of 2015.

Settlement and Clearing Services Fees

Settlement and clearing services fees consist primarily of fees earned on settlement and clearing services in respect of bank drafts, commercial drafts, promissory notes and checks and fees earned on money transfers and clearing services. Settlement and clearing services fees were RMB2 million and RMB3 million for the six months ended June 30, 2014 and 2015, respectively.

Fee and Commission Expense

Our fee and commission expenses consist primarily of settlement and agency service expenses, bank card expenses and certain other fee and commission expenses. Settlement and agency services expenses consist primarily of fees we paid in connection with our settlement and agency services. Bank card expenses consist primarily of transaction fees paid to third parties in relation to the use of our bank cards on the ATMs of other banks. Our other fee and commission expenses consist primarily of fee and commission expenses on the issuance of our wealth management products and certain other miscellaneous fee and commission expenses.

Our fee and commission expense increased by 33.3% from RMB9 million for the six months ended June 30, 2014 to RMB12 million for the same period in 2015, primarily due to an increase in our settlement and agency services expenses, reflecting our efforts to grow our trade finance business.

Other Components of Our Operating Income

The following table sets forth, for the periods indicated, other components of our operating income.

	For the six months ended June 30,	
	2014 (unaudited)	**2015**
	(in millions of RMB)	
Net trading gains	45	161
Net (losses)/gains arising from investments	(35)	25
Other operating income[1]	6	49
Total	**16**	**235**

(1) Consists primarily of rental income, government grants, net gains/(losses) on disposal of property and equipment and certain other operating income.

Net Trading Gains

Net trading gains consist of net realized and unrealized gains on our financial instruments held for trading purposes. Our net trading gains more than tripled from RMB45 million for the six months ended June 30, 2014 to RMB161 million for the same period in 2015, primarily due to the expansion of our trading portfolio and an increase in our trading volume.

Net (Losses)/gains Arising from Investments

Net (losses)/gains arising from investments consists primarily of net realized gains or losses on disposal of our available-for-sale financial assets. We recorded a net loss of RMB35 million arising from investments for the six months ended June 30, 2014, and a net gain of RMB25 million arising from investments for the six months ended June 30, 2015, primarily due to our active management of our debt securities portfolio by seeking gains through purchases and disposals of these securities under favorable market conditions and adjustments to the duration mix of this portfolio.

Other Operating Income

Other operating income consists primarily of rental income, government grants, net gains or losses on disposal of property and equipment and certain other operating income. Our other operating income increased significantly from RMB6 million for the six months ended June 30, 2014 to RMB49 million for the same period in 2015, primarily attributable to our net gains of RMB39 million on disposal of properties and equipment in the first half of 2015.

Operating Expenses

The following table sets forth, for the periods indicated, the principal components of our total operating expenses.

	For the six months ended June 30,	
	2014 (unaudited)	2015
	(in millions of RMB, except percentages)	
Staff costs	339	382
Depreciation and amortization	51	72
Rental and property management expenses	45	59
Office expenses	31	28
Business tax and surcharges	152	210
Other general and administrative expenses(1)	163	169
Total operating expenses	**781**	**920**
Cost-to-income ratio(2)	**24.54%**	**18.43%**

(1) Consists primarily of entertainment expenses, marketing expenses, postal and telecommunication expenses, travel expenses, expenses on disposal of assets and certain other expenses.

(2) Calculated by dividing operating expense for the period (net of business tax and surcharges) by operating income for the period.

Our operating expenses increased by 17.8% from RMB781 million for the six months ended June 30, 2014 to RMB920 million for the same period in 2015, primarily due to an increase in our business tax and surcharges and staff costs.

Our cost-to-income ratio (excluding business tax and surcharges) was 24.54% and 18.43% for the six months ended June 30, 2014 and 2015, respectively. The decrease in our cost-to-income ratio for the six months ended June 30, 2015 as compared to the same period in 2014 was primarily due to (i) a 50.4% increase in our operating income resulting primarily from our increased holding of investment products managed by securities companies and investment products under trust schemes and the overall growth in our lending business, and (ii) an increase in our operating expenses at a lower rate than our operating income, reflecting our enhanced cost management.

Staff Costs

Staff costs are the largest component of our operating expenses, representing 43.4% and 41.5% 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 components of our staff costs.

	For the six months ended June 30,	
	2014 (unaudited)	**2015**
	(in millions of RMB)	
Salaries, bonuses and staff allowances	240	271
Social insurance and annuity	44	54
Staff welfares	21	30
Housing allowance	12	16
Supplementary retirement benefits	10	3
Others[(1)]	12	8
Total staff costs	**339**	**382**

(1) Consists primarily of staff education expenses, labor union expenses and labor protection expenses.

Our staff costs increased by 12.7% from RMB339 million for the six months ended June 30, 2014 to RMB382 million for the same period in 2015, primarily due to an increase in salaries, bonuses and staff allowances.

Salaries, bonuses and staff allowances are the largest component of our staff cost, representing 70.8% and 70.9% of our staff cost for the six months ended June 30, 2014 and 2015, respectively. Our salaries, bonuses and staff allowances increased by 12.9% from RMB240 million for the six months ended June 30, 2014 to RMB271 million for the same period in 2015, primarily due to increases in the number of our employees and the average compensation of our employees.

Social insurance and annuity consists of our mandatory social insurance contributions paid under applicable laws and regulations and contributions to supplemental pension schemes we provide to our employees. Social insurance and annuity expenses are the second largest component of our staff cost, representing 13.0% and 14.1% of our staff cost for the six months ended June 30, 2014 and 2015, respectively. Our social insurance and annuity expenses increased by 22.7% from RMB44 million for the six months ended June 30, 2014 to RMB54 million for the same period in 2015, primarily due to an increase in our total salaries, as social insurance and annuity expenses are set at certain percentages of salaries.

Staff welfare expenses consist of welfare in-kind and supplementary health insurance schemes we provide to our employees. Our staff welfare expenses increased by 42.9% from RMB21 million for the six months ended June 30, 2014 to RMB30 million for the same period in 2015, primarily due to the increased number of our employees.

Our supplementary retirement benefit expenses decreased by 70.0% from RMB10 million for the six months ended June 30, 2014 to RMB3 million for the same period in 2015, primarily due to our adjustment to our supplemental retirement benefit scheme.

Housing allowance is the statutory contributions we paid to housing funds for our employees under applicable laws and regulations. Housing allowance increased by 33.3% from RMB12 million for the six months ended June 30, 2014 to RMB16 million for the same period in 2015, primarily due to an increase in the salaries to our employees, as housing allowance is set at certain percentages of salaries.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 41.2% from RMB51 million for the six months ended June 30, 2014 to RMB72 million for the same period in 2015, primarily due to an increase in our fixed assets and intangible assets subject to depreciation and amortization as a result of the expansion of our branch and sub-branch network and the upgrading of our information technology systems.

Rental and Property Management Expenses

Our rental and property management expenses increased by 31.1% from RMB45 million for the six months ended June 30, 2014 to RMB59 million for the same period in 2015, primarily due to the expansion of our branch and sub-branch network.

Office Expenses

Office expenses consist primarily of expenses on the operation of electronic equipment and general office supplies. Our office expense decreased by 9.7% from RMB31 million for the six months ended June 30, 2014 to RMB28 million for the same period in 2015, primarily due to our efforts to reduce operating expenses.

Business Taxes and Surcharges

Business tax is levied at 5% primarily on our interest income from loans to customers and our gross fee and commission income. In addition, certain surcharges are levied at aggregate rates of 12% of the amount of our business tax paid. Business tax and surcharges increased by 38.2% from RMB152 million for the six months ended June 30, 2014 to RMB210 million for the same period in 2015, primarily due to an increase in our operating income subject to business taxes and surcharges.

Other General and Administrative Expenses

Other general and administrative expenses consist primarily of entertainment expenses, marketing expenses, postal and telecommunication expenses, travel expenses, expenses on disposal of assets and certain other expenses. Our other general and administrative expenses remained effectively stable at RMB163 million and RMB169 million for the six months ended June 30, 2014 and 2015, respectively.

Provisions for Impairment Losses

The following table sets forth, for the periods indicated, the principal components of our provisions impairment losses on assets.

	For the six months ended June 30,	
	2014 (unaudited)	**2015**
	(in millions of RMB)	
Provisions for impairment losses on:		
Loans to customers	189	603
Financial investments classified as loans and receivables	49	41
Others[(1)]	—	28
Total provisions for impairment losses	**238**	**672**

(1) Consists primarily of provisions for impairment losses on off-balance sheet credit assets.

Provisions for impairment losses almost tripled from RMB238 million for the six months ended June 30, 2014 to RMB672 million for the same period in 2015, primarily due to an increase in provisions for impairment losses on our loans to customers.

Provisions for impairment losses on our loans to customers more than tripled from RMB189 million for the six months ended June 30, 2014 to RMB603 million for the same period in 2015, primarily due to the growth of our total loan portfolio and an increase in our non-performing loans. For details on changes in our allowance for loan losses, please see "Assets and Liabilities — Assets — Allowance for Impairment Losses on Loans to Customers".

We made provisions of RMB49 million and RMB41 million for impairment losses on our financial investments classified as loans and receivables for the six months ended June 30, 2014 and 2015, respectively. The decrease in our provisions for impairment losses on financial investments classified as loans and receivables was primarily due to a slowdown in the growth of our financial investments classified as loans and receivables.

Income Tax Expense

The following table sets forth, for the periods indicated, the reconciliation between the income tax expenses calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax expenses.

	For the six months ended June 30,	
	2014 (unaudited)	2015
	(in millions of RMB)	
Profit before tax	**1,558**	**2,284**
Income tax calculated as statutory tax rate of 25.0%	390	571
Add/(less) the tax effect of the following items:		
Expenses not deductible for tax purpose[(1)]	1	1
Income not subject to tax[(2)]	(27)	(37)
Adjustments from prior period	(10)	(2)
Income tax expense	**354**	**533**

(1) Consists primarily of operating expenses exceeding the deductible limits under PRC taxation laws and regulations.

(2) Consists primarily of interest income from PRC government bonds.

Our income tax expenses increased by 50.6% from RMB354 million in 2012 to RMB533 million for the six months ended June 30, 2014, primarily due to the increases in our profit before tax.

Our effective income tax rate, calculated by dividing income tax expenses by profit before tax, was 22.7% and 23.3% for the six months ended June 30, 2014 and 2015, respectively.

The following table sets forth, for the periods indicated, the components of our income tax expenses.

	For the six months ended June 30,	
	2014 (unaudited)	2015
	(in millions of RMB)	
Current income tax	402	655
Deferred income tax	(38)	(120)
Adjustments from prior period	(10)	(2)
Total income tax expense	**354**	**533**

Net Profit

Primarily as a result of all of the foregoing factors, our net profit increased by 45.4% from RMB1,204 million for the six months ended June 30, 2014 to RMB1,751 million for the same period in 2015.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

The following table sets forth, for the years indicated, our condensed results of operations.

	For the year ended December 31,		
	2012	**2013**	**2014**
	(in millions of RMB)		
Interest income	4,774	6,812	9,602
Interest expense	(1,584)	(2,710)	(4,318)
Net interest income	3,190	4,102	5,284
Fee and commission income	75	198	382
Fee and commission expense	(13)	(36)	(34)
Net fee and commission income	62	162	348
Net trading gains/(losses)	28	(82)	(186)
Net (losses)/gains arising from investments	(1)	27	38
Other operating income	299	48	21
Operating income	3,578	4,257	5,505
Operating expenses	(1,342)	(1,386)	(1,842)
Provisions for impairment losses	(328)	(400)	(497)
Operating profit	1,908	2,471	3,166
Share of profit with associates	15	36	37
Profit before tax	1,923	2,507	3,203
Income tax expense	(463)	(605)	(740)
Net profit	**1,460**	**1,902**	**2,463**

Our net profit increased by 30.3% from RMB1,460 million for the year ended December 31, 2012 to RMB1,902 million for the year ended December 31, 2013, primarily due to increases in our net interest income and net fee and commission income, which were partially offset by a decrease in our other operating income, a net trading losses recorded in 2013 compared to a net trading gain recorded in 2012, and an increase in our income tax expenses.

Our net profit increased by 29.5% from RMB1,902 million for the year ended December 31, 2013 to RMB2,463 million for the year ended December 31, 2014, primarily due to increases in our net interest income and net fee and commission income, which were partially offset by increases in our operating expenses, net trading losses and income tax expenses.

Net Interest Income

Net interest income is the largest component of our operating income, representing 89.2%, 96.4% and 96.0% of our 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	4,774	6,812	9,602
Interest expense	(1,584)	(2,710)	(4,318)
Net interest income	**3,190**	**4,102**	**5,284**

Our net interest income increased by 28.6% from RMB3,190 million in 2012 to RMB4,102 million in 2013, which in turn increased by 28.8% to RMB5,284 million in 2014, primarily due to an increase in our interest income, which was partially offset by an increase in our interest expense.

The following table sets forth, for the years indicated, the average balances of our interest-earning assets and interest-bearing liabilities and the related interest income or expense and the related average yields on interest-earning assets or related average costs of interest-bearing liabilities. The average balances of interest-earning assets and interest-bearing liabilities are the average of the daily balances, which are derived from our management accounts and have not been audited.

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
	(in millions of RMB, except percentages)								
Interest-earning assets									
Loans to customers	42,094	3,176	7.55%	57,272	3,979	6.95%	71,804	5,072	7.06%
Investment securities and other financial assets(1)	24,137	1,359	5.63	38,957	2,335	5.99	57,843	3,783	6.54
Deposits with central bank(2)	12,326	189	1.53	16,467	256	1.55	21,030	329	1.56
Amounts due from banks and other financial institutions(3)	1,283	50	3.90	4,595	242	5.27	8,938	418	4.68
Total interest-earning assets	**79,840**	**4,774**	**5.98%**	**117,291**	**6,812**	**5.81%**	**159,615**	**9,602**	**6.02%**
Interest-bearing liabilities									
Deposits from customers	67,526	1,070	1.58	84,936	1,653	1.95	111,195	2,550	2.29
Amounts due to banks and other financial institutions(4)	11,312	467	4.13	19,309	862	4.46	29,608	1,476	4.99
Debt securities issued	690	45	6.50	3,786	189	4.99	5,862	289	4.93
Amounts due to central bank	128	2	1.56	194	6	3.09	68	3	4.41
Total interest-bearing liabilities	**79,656**	**1,584**	**1.99%**	**108,225**	**2,710**	**2.51%**	**146,733**	**4,318**	**2.95%**
Net interest income		**3,190**			**4,102**			**5,284**	
Net interest spread(5)			**3.99%**			**3.30%**			**3.07%**
Net interest margin(6)			**4.00%**			**3.50%**			**3.31%**

(1) Consists of our financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and financial investments classified as loans and receivables.

(2) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(3) Consists of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.

(4) Consist of deposits and placements from banks and other financial institutions and financial asset sold under repurchase agreements.

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

(6) Calculated by dividing net interest income by the average balance of total interest-earning assets.

The following table sets forth, for the years indicated, the allocation of changes in our interest income and interest expense due to changes in volume and changes in rate. Changes in volume are measured by changes in the daily average balances and changes in rate are measured by changes in the average rates. Changes caused by both volume and rate have been allocated to changes in volume.

	For the year ended December 31,					
	2013 vs. 2012			2014 vs. 2013		
	Increase/ (decrease) due to		Net increase/	Increase/ (decrease) due to		Net increase/
	Volume[1]	Rate[2]	(decrease)[3]	Volume[1]	Rate[2]	(decrease)[3]
	(in millions of RMB)					
Interest-earning assets						
Loans to customers	1,067	(264)	803	1,045	48	1,093
Investment securities and other financial assets[4] .	888	88	976	1,236	212	1,448
Deposits with central bank	64	3	67	71	2	73
Amounts due from banks and other financial institutions[5]	174	18	192	203	(27)	176
Changes in interest income	**2,193**	**(155)**	**2,038**	**2,555**	**235**	**2,790**
Interest-bearing liabilities						
Deposits from customers ...	339	244	583	602	295	897
Amounts due to banks and other financial institutions[6]	357	38	395	513	101	614
Debt securities issued	154	(10)	144	102	(2)	100
Amounts due to central bank	2	2	4	(5)	2	(3)
Changes in interest expense	**852**	**274**	**1,126**	**1,212**	**396**	**1,608**
Changes in net interest income	**1,341**	**(429)**	**912**	**1,343**	**(161)**	**1,182**

(1) Represents the daily average balance for the year minus the daily average balance for the previous year, multiplied by the average yield/cost for the year.

(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the daily average balance for the previous year.

(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

(4) Consists of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and financial investments classified as loans and receivables.

(5) Consists of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.

(6) Consist of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.

Interest Income

The following table sets forth, for the years indicated, the breakdown of our interest income.

	For the year ended December 31,					
	2012		2013		2014	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Loans to customers						
Corporate loans	2,132	44.6%	2,809	41.2%	3,417	35.6%
Personal loans	739	15.5	851	12.5	1,353	14.1
Discounted bills[1]	305	6.4	319	4.7	302	3.1
Subtotal	3,176	66.5	3,979	58.4	5,072	52.8
Investment securities and other financial assets[2]	1,359	28.5	2,335	34.3	3,783	39.4
Deposits with central bank	189	4.0	256	3.8	329	3.4
Amounts due from banks and other financial institutions[3]	50	1.0	242	3.5	418	4.4
Total interest income	**4,774**	**100.0%**	**6,812**	**100.0%**	**9,602**	**100.0%**

(1) Our interest income from discounted bills is net of the interest expense we paid upon rediscounting bills to other banks.

(2) Consists of financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and financial investments classified as loans and receivables.

(3) Consist of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.

Our interest income increased by 42.7% from RMB4,774 million in 2012 to RMB6,812 million in 2013, which in turn increased by 41.0% to RMB9,602 million in 2014, primarily due to an increase in the average balance of our interest-earning assets, which was primarily attributable to increases in the average balance of our loans to customers and investment securities and other financial assets.

Interest Income from Loans to Customers

Interest income from loans to customers is the largest component of our interest income, representing 66.5%, 58.4% and 52.8% of our interest income in 2012, 2013 and 2014, respectively.

The following table sets forth, for the years indicated, the daily average balance, interest income from and average yield on each component of our loans to customers.

	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)								
Corporate loans	27,360	2,132	7.79%	39,051	2,809	7.19%	47,757	3,417	7.15%
Personal loans	9,775	739	7.56	12,745	851	6.68	18,776	1,353	7.21
Discounted bills(1)	4,959	305	6.15	5,476	319	5.83	5,271	302	5.73
Total loans to customers	**42,094**	**3,176**	**7.55%**	**57,272**	**3,979**	**6.95%**	**71,804**	**5,072**	**7.06%**

(1) The average balance of our discounted bills is net of the bills we rediscounted to other banks. Our interest income from discounted bills is net of interest expenses we paid upon rediscounting bills.

Interest income from loans to customers increased by 25.3% from RMB3,176 million in 2012 to RMB3,979 million in 2013, primarily due to a 36.1% increase in the average balance of our loans to customers from RMB42,094 million in 2012 to RMB57,272 million in 2013, which was partially offset by a decrease in the average yield on loans to customers from 7.55% in 2012 to 6.95% in 2013. The increase in the average balance of our loans to customers primarily reflected the overall growth in our loan business. The decrease in the average yield on loans to customers was primarily due to a decrease in the market interest rates as a result of the cuts in the benchmark interest rates by PBoC in June and July 2012 and increased competition.

Interest income from loans to customers increased by 27.5% from RMB3,979 million in 2013 to RMB5,072 million in 2014, primarily due to a 25.4% increase in the average balance of our loans to customers from RMB57,272 million in 2013 to RMB71,804 million in 2014, primarily reflecting the continued growth in our lending business.

The largest component of our interest income from loans to customers has been interest income from corporate loans, representing 67.1%, 70.6% and 67.4% of our total interest income from loans to customers for the years ended December 31, 2012, 2013 and 2014, respectively.

2013 Compared to 2012. Interest income from corporate loans increased by 31.8% from RMB2,132 million in 2012 to RMB2,809 million in 2013, primarily due to a 42.7% increase in the average balance of our corporate loans from RMB27,360 million in 2012 to RMB39,051 million in 2013, which was partially offset by a decrease in the average yield on our corporate loans from 7.79%

in 2012 to 7.19% in 2013. The increase in the average balance of our corporate loans primarily reflected the overall increase of our corporate lending business. The decrease in the average yield on our corporate loans was primarily due to PBoC's cuts in the benchmark interest rates in June and July 2012 and increased competition.

Interest income from personal loans increased by 15.2% from RMB739 million in 2012 to RMB851 million in 2013, primarily due to a 30.4% increase in the average balance of our personal loans from RMB9,775 million in 2012 to RMB12,745 million in 2013, which was partially offset by a decrease in the average yield on personal loans from 7.56% in 2012 to 6.68% in 2013. The increase in the average balance of our personal loans primarily reflected the overall growth of our personal loan business and our increased credit support to small business owners. The decrease in the average yield on personal loans was primarily due to PBoC's cuts in the benchmark interest rates in June and July 2012 and increased competition.

Interest income from discounted bills increased by 4.6% from RMB305 million in 2012 to RMB319 million in 2013, primarily due to a 10.4% increase in the average balance of our discounted bills from RMB4,959 million in 2012 to RMB5,476 million in 2013, which was partially offset by a decrease in the average yield on our discounted bills from 6.15% in 2012 to 5.83% in 2013. The increase in the average balance of our discounted bills primarily reflected the overall growth of our lending business. The decrease in the average yield on our discounted bills primarily reflected a decrease in the market interest rates in the first half of 2013.

2014 Compared to 2013. Interest income from corporate loans increased by 21.6% from RMB2,809 million in 2013 to RMB3,417 million in 2014, primarily due to a 22.3% increase in the average balance of our corporate loans from RMB39,051 million in 2013 to RMB47,757 million in 2014, which was partially offset by a decrease in the average yield on our corporate loans from 7.19% in 2013 to 7.15% in 2014. The increase in the average balance of our corporate loans primarily reflected the overall growth in our lending business. The decrease in the average yield on our corporate loans primarily reflected the cumulative effects of the benchmark interest rate cuts in 2012 and the further benchmark interest rate cut by PBoC in November 2014 as well as increased competition.

Interest income from personal loans increased by 59.0% from RMB851 million in 2013 to RMB1,353 million in 2014, primarily due to a 47.3% increase in the average balance of our personal loans from RMB12,745 million in 2013 to RMB18,776 million in 2014, primarily attributable to an increase in our residential mortgage loans and personal business loans to small business owners.

Interest income from discounted bills decreased by 5.3% from RMB319 million in 2013 to RMB302 million in 2014, primarily due to a 3.7% decrease in the average balance of our discounted bills from RMB5,476 million in 2013 to RMB5,271 million in 2014 and, to a lesser extent, a decrease in the average yield on our discounted bills from 5.83% in 2013 to 5.73% in 2014. The decrease in the average balance of our discounted bills was primarily due to an increase in our bills rediscounted to other banks.

Interest Income from Investment Securities and Other Financial Assets

Interest income from investment securities and other financial assets consists of interest income from our financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, and financial investments classified as loans and receivables. Interest income from investment securities and other financial assets is the second largest component of our interest income, representing 28.5%, 34.3% and 39.4% of our interest income in 2012, 2013 and 2014, respectively.

Interest income from investment securities and other financial assets increased by 71.8% from RMB1,359 million in 2012 to RMB2,335 million in 2013, which in turn increased by 62.0% to RMB3,783 million in 2014. The continued increase in interest income from investment securities and other financial assets from 2012 to 2014 was primarily due to the year-on-year increases in the average balance of these financial assets, accompanied by an increase in the average yield on these financial assets. The average balance of these financial assets increased by 61.4% from RMB24,137 million in 2012 to RMB38,957 million in 2013, which in turn increased by 48.5% to RMB57,843 million in 2014. The average yield on these financial assets increased from 5.63% in 2012 to 5.99% in 2013, which in turn increased to 6.54% in 2014. These increases in the average balance of and average yield on our investment securities and other financial assets were primarily due to our increased holding of relatively higher-yielding debt securities issued by corporate issuers, investment products under trust schemes and investment products managed by securities companies.

Interest Income from Deposits with Central Bank

Our deposits with central bank consist primarily of statutory deposit reserves and surplus deposit reserves with PBoC. Statutory deposit reserves represent the minimum level of cash deposits, calculated as a percentage of the balance of our 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 deposits with central bank increased by 35.4% from RMB189 million in 2012 to RMB256 million in 2013, which in turn increased by 28.5% to RMB329 million in 2014. The continued increase in our interest income from deposits with central bank was primarily due to the year-on-year increases in the average balance of our deposits with central bank, primarily attributable to the increases in our statutory deposit reserve in line with the growth of our deposits from customers.

Interest Income from Amounts due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions consists of interest earned on our deposits and placements with banks and other financial institutions and financial assets held under resale agreements, representing 1.0%, 3.5% and 4.4% of our total interest income in 2012, 2013 and 2014, respectively.

Interest income from amounts due from banks and other financial institutions increased significantly from RMB50 million in 2012 to RMB242 million in 2013, primarily due to a significant increase in the average balance of our amounts due from banks and other financial institutions from

RMB1,283 million in 2012 to RMB4,595 million in 2013, primarily attributable to our increased allocation of funds to deposits with banks and other financial institutions in light of the rising SHIBOR rates in 2013 for higher returns.

Interest income from amounts due from banks and other financial institutions increased by 72.7% from RMB242 million in 2013 to RMB418 million in 2014, primarily due to a 94.5% increase in the average balance of our amounts due from banks and other financial institutions from RMB4,595 million in 2013 to RMB8,938 million in 2014, which was partially offset by a decrease in the average yield on our amounts due from banks and other financial institutions from 5.27% in 2013 to 4.68% in 2014. The increase in the average balance of our amounts due from banks and other financial institutions was primarily attributable to an increase in our financial assets held under resale agreements. The decrease in the average yield on our amounts due from banks and other financial institutions was primarily due to a decrease in the average yield on our financial assets held under resale agreements, reflecting the increased liquidity on the market.

Interest Expense

The following table sets forth, for the years indicated, the breakdown of our interest expense.

	For the year ended December 31,					
	2012		2013		2014	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Deposits from customers	1,070	67.6%	1,653	61.0%	2,550	59.0%
Amounts due to banks and other financial institutions[1]	467	29.5	862	31.8	1,476	34.2
Debt securities issued	45	2.8	189	7.0	289	6.7
Amounts due to central bank	2	0.1	6	0.2	3	0.1
Total interest expense	**1,584**	**100.0%**	**2,710**	**100.0%**	**4,318**	**100.0%**

(1) Consists of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.

Our interest expense increased by 71.1% from RMB1,584 million in 2012 to RMB2,710 million in 2013, which in turn increased by 59.3% to RMB4,318 million in 2014, primarily due to an increase in the average balance of our interest-bearing liabilities and, to a lesser extent, an increase in the average cost of our interest-bearing liabilities. The increase in the average balance of our interest-bearing liabilities primarily reflected our increased funding to support our overall business growth. The increase in the average cost of our interest-bearing liabilities was primarily attributable to the combination of an increase in the average cost of our deposits from customers and increases in the average balance of the amounts due to banks and other financial institutions and debt securities issued, which bear relatively higher costs, as a percentage of our total interest-bearing liabilities.

Interest Expense on Deposits from Customers

Deposits from customers are our primary source of funding. Interest expense on deposits from customers represented 67.6%, 61.0% and 59.0% of our total interest expense in 2012, 2013 and 2014, respectively.

The following table sets forth, for the years indicated, the daily average balance, interest expense and average cost for our corporate and personal deposits by product type.

	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)								
Corporate deposits[1]									
Time[2]	7,623	305	4.00%	13,642	558	4.09%	19,598	902	4.60%
Demand	27,703	170	0.61	34,106	179	0.52	40,037	252	0.63
Subtotal	35,326	475	1.34	47,748	737	1.54	59,635	1,154	1.94
Personal deposits									
Time[2]	10,095	346	3.43	17,024	574	3.37	23,211	849	3.66
Demand	6,609	34	0.51	8,157	39	0.48	9,528	47	0.49
Subtotal	16,704	380	2.27	25,181	613	2.43	32,739	896	2.74
Others[3]	15,496	215	1.39	12,007	303	2.52	18,821	500	2.66
Total deposits from customers	**67,526**	**1,070**	**1.58%**	**84,936**	**1,653**	**1.95%**	**111,195**	**2,550**	**2.29%**

(1) Consists primarily of deposits from corporate customers, government agencies and other organizations.

(2) Includes principal-protected wealth management products we issued, which we booked as time deposits pursuant to regulatory requirements.

(3) Consists primarily of margin deposits, funds deposited with us for remittance and temporary deposits.

Interest expense on deposits from customers increased by 54.5% from RMB1,070 million in 2012 to RMB1,653 million in 2013, primarily due to a combination of a 25.8% increase in the average balance of our customer deposits from RMB67,526 million in 2012 to RMB84,936 million in 2013, and an increase in the average cost of our customer deposits from 1.58% in 2012 to 1.95% in 2013. Interest expense on customer deposits increased by 54.3% from RMB1,653 million in 2013 to RMB2,550 million in 2014, primarily due to a 30.9% increase in the average balance of our customer deposits from RMB84,936 million in 2013 to RMB111,195 million in 2014 and, to a lesser extent, an increase in the average cost of our customer deposits from 1.95% in 2013 to 2.29% in 2014. The year-on-year increase in the average balance of our customer deposits primarily reflected our overall business growth and, additionally, resulted from the expansion of our branch and sub-branch network. The increase in the average cost of our deposits form customers was primarily due to an increase in time deposits as a percentage of our total deposits from customers, which bear relatively higher interest rates than demand deposits.

Interest Expense on Amounts due to Banks and Other Financial Institutions

Amounts due to banks and other financial institutions consist of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements. Interest expense on amounts due to banks and other financial institutions represented 29.5%, 31.8% and 34.2% of our total interest expense in 2012, 2013 and 2014, respectively.

Interest expense on amounts due to banks and other financial institutions increased by 84.6% from RMB467 million in 2012 to RMB862 million in 2013, which in turn increased by 71.2% to RMB1,476 million in 2014. The continued increase in interest expense on amounts due to banks and other financial institutions was primarily due to a year-on-year increase in the average balance of amounts due to banks and other financial institutions, accompanied by an increase in the average cost. The average balance of our amounts due to banks and other financial institutions increased by 70.7% from RMB11,312 million in 2012 to RMB19,309 million in 2013, which in turn increased by 53.3% to RMB29,608 million in 2014, primarily resulting from our increased funding needs in line with the growth in our financial assets. The average cost of our amounts due to banks and other financial institutions increased from 4.13% in 2012 to 4.46% in 2013, primarily due to an increase in SHIBOR, which is the base rate for interbank market interest rates. The average cost of amounts due to banks and other financial institutions increased from 4.46% in 2013 to 4.99% in 2014, primarily due to an increase in placements from banks and other financial institutions as a percentage of our amounts due to banks and other financial institutions, which are generally of longer tenors and bear higher costs.

Interest Expense on Debt Securities Issued

Interest expenses on debt securities issued represented 2.8%, 7.0% and 6.7% of our interest expenses for the year ended December 31, 2012, 2013 and 2014, respectively. Our debt securities issued consist of (i) fixed rate subordinated bonds we issued on December 31, 2009, (ii) fixed interest rate financial bonds we issued on May 16, 2013, (iii) fixed rate tier-two capital bonds we issued on December 12, 2014, and (iv) certificates of interbank deposit we issued on December 11, 2014. For further details of our debt securities issued, please see "Assets and Liabilities — Liabilities and Sources of Funds — Other Components of Our Liabilities".

Interest expenses on debt securities issued more than quadrupled from RMB45 million in 2012 to RMB189 million in 2013, primarily due to an increase in the average balance of our debt securities issued from RMB690 million in 2012 to RMB3,786 million in 2013, which was partially offset by a decrease in the average cost of our debt securities issued from 6.50% in 2012 to 4.99% in 2013. The increase in the average balance of our debt securities issued resulted from our issuance of financial bonds of RMB5.0 billion in May 2013. The decrease in the average cost of our debt securities issued resulted from the issuance of our financial bonds at a relatively low interest rate.

Interest expenses on debt securities issued increased by 52.9% from RMB189 million in 2013 to RMB289 million in 2014, primarily due to a 54.8% increase in the average balance of our debt securities issued from RMB3,786 million in 2013 to RMB5,862 million in 2014 as a result of the issuance of our tier-two capital bonds and certificates of interbank deposit in 2014.

Interest Expense on Amounts due to Central Bank

Our interest expense on amounts due to central bank tripled from RMB2 million in 2012 to RMB6 million in 2013, due to a combination of a 51.6% increase in the average balance of our amounts due to central bank from RMB128 million in 2012 to RMB194 million in 2013 and an increase in the average cost of our amounts due to central bank from 1.56% in 2012 to 3.09% in 2013. The increase in the average balance of our amounts due to central bank primarily reflected our increased liquidity need in 2013. The increase in the average cost of amounts due to central bank primarily reflected the effect of the tightened market liquidity in the second half of 2013.

Our interest expense on amounts due to central bank decreased by 50.0% from RMB6 million in 2013 to RMB3 million in 2014, primarily due to a 64.9% decrease in the average balance of our amounts due to central bank from RMB194 million in 2013 to RMB68 million in 2014, which was partially offset by an increase in the average cost of our amounts due to central bank from 3.09% in 2013 to 4.41% in 2014. The decrease in the average balance of our amounts due to central bank primarily reflected our increased liquidity in 2014 and our increased source of funds. The increase in the average cost of our amounts due to central bank primarily reflected the relatively high interest rate set by PBoC on short-term borrowings at the beginning of 2014.

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 of interest-bearing liabilities. Net interest margin is the ratio of net interest income to the daily average balance of total interest-earning assets.

2013 Compared to 2012. Our net interest spread decreased from 3.99% in 2012 to 3.30% in 2013, because the average cost of our interest-bearing liabilities increased by 52 basis points from 1.99% in 2012 to 2.51% in 2013, while the average yield on our interest-earning assets decreased by 17 basis points from 5.98% in 2012 to 5.81% in 2013. Our net interest margin decreased from 4.00% in 2012 to 3.50% in 2013, because the average balance of our interest-earning assets increased by 46.9% from RMB79,840 million in 2012 to RMB117,291 million in 2013, higher than the 28.6% increase in our net interest income from RMB3,190 million in 2012 to RMB4,102 million in 2013. The decreases in our net interest spread and net interest margin were primarily due to (i) a decrease in the average yield on our loans to customers, which resulted primarily from PBoC's cuts in benchmark interest rates and increased competition, (ii) a decrease in the average balance of our loans to customers, which are relatively higher yielding compared to other categories of our assets, as a percentage of our total interest-earning assets, (iii) an increase in the average cost of our deposits from customers, primarily resulting from the increased preference of our customers for time deposits with higher interest rates, and (iv) increases in our amounts due to banks and other financial institutions and debt securities issued, which are of relatively high costs.

2014 Compared to 2013. Our net interest spread decreased from 3.30% in 2013 to 3.07% in 2014, because the average cost of our interest-bearing liabilities increased by 44 basis points, higher than the 21 basis points increase in the average yield on our interest earning assets. Our net interest margin decreased from 3.50% in 2013 to 3.31% in 2014, because the average balance of our interest-earning assets increased by 36.1% in 2014 from RMB117,291 million in 2013 to RMB159,615 million, higher than the 28.8% increase in our net interest income from RMB4,102 million in 2013 to RMB5,284 million in 2014. The decreases in our net interest spread and net interest margin were primarily due to (i) a decrease in the average balance of our loans to customers, which are relatively higher yielding compared to other assets, as a percentage of our total interest-earning assets, (ii) an increase in the average cost of our deposits from customers, primarily resulting from the increased preference of our customers for time deposits with higher interest rates, and (iii) increases in our amounts due to banks and other financial institutions and debt securities issued, which are of relatively high costs.

Net Fee and Commission Income

Net fee and commission income represented 1.7%, 3.8% and 6.3% 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)		
Fee and commission income			
Agency and custody services fees	30	89	172
Acceptance and guarantee services fees	13	49	133
Underwriting and advisory fees	9	33	44
Bank card services fees	19	22	25
Settlement and clearing services fees	4	4	4
Others[(1)]	—	1	4
Total fee and commission income	**75**	**198**	**382**
Fee and commission expenses[(2)]	**(13)**	**(36)**	**(34)**
Net fee and commission income	**62**	**162**	**348**

(1) Consists primarily of fees earned on customers' reporting loss of bank cards and bank books, resetting passcodes and account management fees.

(2) Consists primarily of settlement and agency service expenses, bank card expenses and certain other fee and commission expenses.

Our net fee and commission income more than doubled from RMB62 million in 2012 to RMB162 million in 2013, which in turn more than doubled to RMB348 million in 2014, primarily due to an increase in our gross income from our fee- and commission-based business.

Fee and Commission Income

Our fee and commission income more than doubled from RMB75 million in 2012 to RMB198 million in 2013, which in turn increased by 92.9% to RMB382 million in 2014, primarily due to increases in our agency and custody services fees and acceptance and guarantee services fees, reflecting our continued efforts to grow our fee- and commission-based business.

Agency and Custody Service Fees

Agency and custody service fees consist primarily of fees earned on agency services in connection with entrusted loans, trust fund custody, wealth management products, insurance agency services and fund distribution services. Our agency and custody service fees almost tripled from RMB30 million in 2012 to RMB89 million in 2013, which in turn increased by 93.3% to RMB172 million in 2014, primarily due to an increase in the agency and custody services we provided as a result of our continued efforts to grow our agency and custody service business.

Acceptance and Guarantee Services Fees

Acceptance and guarantee services fees consist primarily of fees earned from issuing bank acceptances, letters of guarantee and letters of credit to our customers. Our acceptance and guarantee services fees more than tripled from RMB13 million in 2012 to RMB49 million in 2013, which in turn more than doubled to RMB133 million in 2014, primarily attributable to an increase in our fees earned from issuing letters of credits, reflecting the growth in our trade finance business.

Bank Card Services Fees

Bank card services fees consist primarily of transaction fees from merchants on the use of our bank cards. Bank card services fees increased by 15.8% from RMB19 million in 2012 to RMB22 million in 2013, which in turn increased by 13.6% to RMB25 million in 2014, primarily due to increases in the number of bank cards we issued and the volume of transactions using our bank cards.

Underwriting and Advisory Fees

Underwriting and advisory fees consist primarily of fees we earned from underwriting securities and providing advisory services to our customers on investment and financing activities. Our underwriting and advisory fees more than tripled from RMB9 million in 2012 to RMB33 million in 2013, primarily due to increases in the advisory services we provided and the volume of the bonds we underwrote in 2013. Our underwriting and advisory fees increased by 33.3% from RMB33 million in 2013 to RMB44 million in 2014, primarily due to an increase in the bonds that we underwrote.

Settlement and Clearing Services Fees

Settlement and clearing services fees consist primarily of fees earned on settlement and clearing services in respect of bank drafts, commercial drafts, promissory notes and checks and fees earned on money transfers and clearing services. Settlement and clearing services fees remained effectively stable at RMB4 million in 2012, 2013 and 2014.

Fee and Commission Expense

Our fee and commission expenses consist primarily of settlement and agency service expenses, bank card expenses and certain other fee and commission expenses. Settlement and agency service expenses consist primarily of fees we paid in connection with our settlement and agency services. Bank card expenses consist primarily of transaction fees paid to third parties in relation to the use of our bank cards on the ATMs of other banks. Our other fee and commission expenses consist primarily of fee and commission expenses on the issuance of our wealth management products and other miscellaneous fee and commission expenses.

Our fee and commission expenses more than doubled from RMB13 million in 2012 to RMB36 million in 2013, primarily attributable to an increase in our other miscellaneous fee and commission expenses. Our fee and commission expenses remained effectively stable at RMB34 million in 2014.

Other Components of Our Operating Income

The following table sets forth, for the years indicated, other components of our operating income.

	For the year ended December 31,		
	2012	**2013**	**2014**
	(in millions of RMB)		
Net trading gains/(losses)	28	(82)	(186)
Net (losses)/gains arising from investments	(1)	27	38
Other operating income[(1)]	299	48	21
Total	**326**	**(7)**	**(127)**

(1) Consists primarily of rental income, government grants and certain other operating income.

Net Trading Gains/(Losses)

Net trading gains/(losses) consist of net realized and unrealized gains or losses on our financial instruments held for trading purposes. We recorded a net trading gain of RMB28 million in 2012. We recorded net trading losses of RMB82 million and RMB186 million in 2013 and 2014, respectively, primarily because we sold certain debt securities as part of our adjustments to our debt securities portfolio when the market prices for debt securities fluctuated as a result of the volatility in market liquidity and changes in market interest rate.

Net (Losses)/gains Arising from Investments

Net (losses)/gains arising from investments consists primarily of net realized gains or losses on disposal of our available-for-sale financial assets. We recorded a net loss of RMB1 million in 2012 arising from investments and a net gain of RMB27 million in 2013. Net gain arising from investments increased by 40.7% from RMB27 million in 2013 to RMB38 million in 2014. The changes in our net (losses)/gains arising from investments were primarily due to our active management of our debt securities portfolio by seeking gains through purchases and disposals of these securities under favorable market conditions and adjustments to the duration mix of this portfolio.

Other Operating Income

Other operating income consists primarily of rental income, government grants, net gains or losses on disposal of property and equipment and certain other operating income. We recorded other operating income in the amount of RMB299 million in 2012, primarily attributable to a non-recurring government grant of RMB250 million we received in that year. We recorded other operating income in the amount of RMB48 million and RMB21 million in 2013 and 2014, respectively.

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, except percentages)		
Staff costs	423	565	775
Depreciation and amortization	67	84	117
Rental and property management expenses	64	89	101
Office expenses	53	57	84
Business tax and surcharges	165	234	316
Other general and administrative expenses[1]	570	357	449
Total operating expenses	**1,342**	**1,386**	**1,842**
Cost-to-income ratio[2]	**32.89%**	**27.06%**	**27.72%**

(1) Consists primarily of entertainment expenses, marketing expenses, postal and telecommunication expenses, travel expenses, expenses on disposal of assets and certain other expenses.

(2) Calculated by dividing operating expense for the year (net of business tax and surcharges) by operating income for the year.

Our operating expenses remained effectively stable at RMB1,342 million in 2012 and RMB1,386 million in 2013. Our operating expenses increased by 32.9% from RMB1,386 million in 2013 to RMB1,842 million in 2014, primarily due to an increase in the staff costs.

Our cost-to-income ratio (excluding business tax and surcharges) was 32.89%, 27.06% and 27.72% in 2012, 2013 and 2014, respectively. The decrease in our cost-to-income ratio in 2013 was primarily due to an increase in our operating income at a higher rate than our operating expense. The increase in our cost-to-income ratio in 2014 was primarily due to a 37.2% increase in our staff cost.

Staff Costs

Staff costs are the largest component of our operating expenses, representing 31.5%, 40.8% and 42.1% of our total operating expenses in 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)		
Salaries, bonuses and staff allowances	237	319	482
Social insurance and annuity	50	81	105
Staff welfares	39	73	94
Supplementary retirement benefits	63	46	37
Housing allowance	18	22	29
Others[(1)]	16	24	28
Total staff costs	**423**	**565**	**775**

(1) Consists primarily of staff education expenses, labor union expenses and labor protection expenses.

Our staff costs increased by 33.6% from RMB423 million in 2012 to RMB565 million in 2013, which in turn increased by 37.2% to RMB775 million in 2014, primarily due to increases in salaries, bonuses and allowances.

Salaries, bonuses and staff allowances are the largest component of our staff cost, representing 56.0%, 56.5% and 62.2% of our staff cost in 2012, 2013 and 2014, respectively. Our salaries, bonuses and staff allowances increased by 34.6% from RMB237 million in 2012 to RMB319 million in 2013, which in turn increased by 51.1% to RMB482 million in 2014, primarily due to an increase in the number of our employees and, to a lesser extent, an increase in the average compensation of our employees.

Social insurance and annuity consist of our mandatory social insurance contributions paid under applicable laws and regulations and contributions to supplemental pension schemes we provide to our employees. Social insurance and annuity are the second largest component of our staff cost, representing 11.8%, 14.3% and 13.5% of our staff cost in 2012, 2013 and 2014, respectively. Our social insurance and annuity expenses increased by 62.0% from RMB50 million in 2012 to RMB81 million in 2013, which in turn increased by 29.6% to RMB105 million in 2014, substantially in line with the increases in our total salaries, as social insurance and annuity expenses are set at certain percentages of salaries.

Staff welfare expenses consist of welfare in-kind and supplementary health insurance schemes we provide to our employees. Our staff welfare expenses increased by 87.2% from RMB39 million in 2012 to RMB73 million in 2013, primarily because we started to offer our employees supplemental health insurance schemes in 2013. Our staff welfare expenses increased by 28.8% from RMB73 million in 2013 to RMB94 million in 2014, primarily due to an increase in our total salaries, as staff welfare is set at a certain percentage of total salaries.

Our supplementary retirement benefit expenses were RMB63 million, RMB46 million and RMB37 million in 2012, 2013 and 2014, respectively. The year-on-year decreases in our supplementary retirement benefit expenses resulted primarily from the decreased number of retired employees entitled to supplementary retirement benefits and our discontinuing to provide certain benefits to our retired employees.

Housing allowance expenses are the statutory contributions we paid to housing funds for our employees under applicable laws and regulations. Housing allowance expenses increased by 22.2% from RMB18 million in 2012 to RMB22 million in 2013, which in turn increased by 31.8% to RMB29 million in 2014. The increases in our housing allowance expenses were primarily due to an increase in our total salaries, as housing allowance is set at certain percentages of salaries.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 25.4% from RMB67 million in 2012 to RMB84 million in 2013, which in turn increased by 39.3% to RMB117 million in 2014, primarily due to an increase in our fixed assets and intangible assets subject to depreciation and amortization as a result of the expansion of our branch and sub-branch network and the upgrading of our information technology systems.

Rental and Property Management Expenses

Our rental and property management expenses increased by 39.1% from RMB64 million in 2012 to RMB89 million in 2013, which in turn increased by 13.5% to RMB101 million in 2014, primarily due to the expansion of our branch and sub-branch network.

Office Expenses

Office expenses consist primarily of expenses on the operation of electronic equipment and general office supplies. Our office expense increased by 7.5% from RMB53 million in 2012 to RMB57 million in 2013, which in turn increased by 47.4% to RMB84 million in 2014, primarily due to our overall business expansion.

Business Taxes and Surcharges

Business tax is levied at 5% primarily on our interest income from loans to customers and our gross fee and commission income. In addition, certain surcharges are levied at aggregate rates of 12% of the amount of our business tax paid. Business tax and surcharges increased by 41.8% from RMB165 million in 2012 to RMB234 million in 2013, which in turn increased by 35.0% to RMB316 million in 2014, primarily due to an increase in our operating income subject to business taxes and surcharges.

Other General and Administrative Expenses

Other general and administrative expenses consist primarily of entertainment expenses, marketing expenses, postal and telecommunication expenses, travel expenses, expenses on disposal of assets and certain other expenses. Our other general and administrative expenses amounted to RMB570 million, RMB357 million and RMB449 million in 2012, 2013 and 2014, respectively.

Provisions for Impairment Losses

The following table sets forth, for the years indicated, the principal components of our impairment losses on assets.

	For the year ended December 31,		
	2012	**2013**	**2014**
	(in millions of RMB)		
Provisions for/(releases from) impairment losses on:			
Loans to customers	320	400	408
Financial investments classified as loans and receivables	12	—	89
Other assets[(1)]	(4)	—	—
Total provisions for impairment losses	**328**	**400**	**497**

(1) Consists of releases from provisions for impairment losses on other receivables.

Provisions for impairment losses increased by 22.0% from RMB328 million in 2012 to RMB400 million in 2013, primarily due to an increase in provisions for impairment losses on our loans to customers, reflecting the growth of our total loan portfolio and an increase in our non-performing loans. Provisions for impairment losses increased by 24.3% from RMB400 million in 2013 to RMB497 million in 2014, primarily attributable to the provisions for impairment losses in the amount of RMB89 million we made for investment products under trust schemes 2014.

Provisions for impairment losses on our loans to customers increased by 25.0% from RMB320 million in 2012 to RMB400million in 2013, which in turn increased by 2.0% to RMB408 million in 2014, primarily due to the growth of our total loan portfolio and an increase in our non-performing loans. For details on changes in our allowance for loan losses, please see "Assets and Liabilities — Assets — Allowance for Impairment Losses on Loans to Customers".

Income Tax Expense

The following table sets forth, for the years indicated, the reconciliation between the income tax expenses calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax expenses.

	For the year ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Profit before tax	**1,923**	**2,507**	**3,203**
Income tax calculated at statutory tax rate of 25.0%	481	627	801
Add/(less) the tax effect of the following items:			
Expenses not deductible for tax purpose[1]	11	6	7
Income not subject to tax[2]	(29)	(33)	(58)
Adjustments from prior years	—	5	(10)
Income tax expense	**463**	**605**	**740**

(1) Consists primarily of operating expenses exceeding the deductible limits under PRC taxation laws and regulations.

(2) Consists primarily of interest income from PRC government bonds.

Our income tax expenses increased by 30.7% from RMB463 million in 2012 to RMB605 million in 2013, which in turn increased by 22.3% to RMB740 million in 2014, primarily due to the increases in our profit before tax.

Our effective income tax rate was, calculated by dividing income expenses by profit before tax, 24.1%, 24.1% and 23.1% in 2012, 2013 and 2014, respectively.

The following table sets forth, for the years indicated, the components of our income tax expenses.

	For the year ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Current income tax	511	672	836
Deferred income tax	(48)	(72)	(86)
Adjustments from prior years	—	5	(10)
Total income tax expense	**463**	**605**	**740**

Net Profit

Primarily as a result of all the foregoing factors, our net profit increased by 30.3% from RMB1,460 million in 2012 to RMB1,902 million in 2013, which in turn increased by 29.5% to RMB2,463 million in 2014.

SUMMARY OF SEGMENT OPERATING RESULTS

Summary Business Segment Information

We have three principal business activities: corporate banking, retail banking and treasury businesses. Please see "Business — Our Principal Business". The following table sets forth, for the periods indicated, our operating results for each of our principal business segments.

(in millions of RMB)

	For the year ended December 31,														
	2012					2013					2014				
	Corporate banking	Retail banking	Treasury business	Others(1)	Total	Corporate banking	Retail banking	Treasury business	Others(1)	Total	Corporate banking	Retail banking	Treasury business	Others(1)	Total
External net interest income	1,956	356	878	—	**3,190**	2,280	313	1,509	—	**4,102**	2,218	680	2,386	—	**5,284**
Internal net interest income/ (expense)	361	152	(513)	—	**—**	165	335	(500)	—	**—**	447	328	(775)	—	**—**
Net interest income	2,317	508	365	—	**3,190**	2,445	648	1,009	—	**4,102**	2,665	1,008	1,611	—	**5,284**
Net fee and commission income	14	28	20	—	**62**	52	26	84	—	**162**	136	38	174	—	**348**
Net trading gains/(losses)	—	—	28	—	**28**	—	—	(82)	—	**(82)**	—	—	(186)	—	**(186)**
Net (losses)/gains arising from investments	—	—	(1)	—	**(1)**	—	—	27	—	**27**	—	—	38	—	**38**
Other operating income	—	—	—	299	**299**	—	—	—	48	**48**	—	—	—	21	**21**
Operating income	2,331	536	412	299	**3,578**	2,497	674	1,038	48	**4,257**	2,801	1,046	1,637	21	**5,505**
Operating expense	(706)	(305)	(81)	(250)	**(1,342)**	(882)	(393)	(105)	(6)	**(1,386)**	(1,113)	(520)	(179)	(30)	**(1,842)**
(Releases from)/ provisions for impairment losses	(315)	(5)	(8)	—	**(328)**	(387)	(13)	—	—	**(400)**	(411)	3	(89)	—	**(497)**
Operating profit	1,310	226	323	49	**1,908**	1,228	268	933	42	**2,471**	1,277	529	1,369	(9)	**3,166**
Share of profit of associates	—	—	—	15	**15**	—	—	—	36	**36**	—	—	—	37	**37**
Profit before tax	**1,310**	**226**	**323**	**64**	**1,923**	**1,228**	**268**	**933**	**78**	**2,507**	**1,277**	**529**	**1,369**	**28**	**3,203**

	For the six months ended June 30,									
	2014 (unaudited)					2015				
	Corporate banking	Retail banking	Treasury business	Others(1)	Total	Corporate banking	Retail banking	Treasury business	Others(1)	Total
External net interest income	1,209	293	904	—	**2,406**	1,190	438	1,657	—	**3,285**
Internal net interest income/ (expense)	163	163	(326)	—	**—**	318	217	(535)	—	**—**
Net interest income	1,372	456	578	—	**2,406**	1,508	655	1,122	—	**3,285**
Net fee and commission income	53	22	64	—	**139**	83	35	214	—	**332**
Net trading gains/(losses)	—	—	45	—	**45**	—	—	161	—	**161**
Net (losses)/gains arising from investments	—	—	(35)	—	**(35)**	—	—	25	—	**25**
Other operating income	—	—	—	6	**6**	—	—	—	49	**49**
Operating income	1,425	478	652	6	**2,561**	1,591	690	1,522	49	**3,852**
Operating expense	(466)	(216)	(75)	(24)	**(781)**	(498)	(315)	(90)	(17)	**(920)**
(Releases from)/ provisions for impairment losses	(192)	3	(49)	—	**(238)**	(589)	(14)	(69)	—	**(672)**
Operating profit	767	265	528	(18)	**1,542**	504	361	1,363	32	**2,260**
Share of profit of associates	—	—	—	16	**16**	—	—	—	24	**24**
Profit before tax	**767**	**265**	**528**	**(2)**	**1,558**	**504**	**361**	**1,363**	**56**	**2,284**

(1) Consists primarily of income and expenses that are not directly attributable to any specific segment.

The following table sets forth, for the periods indicated, the operating income of each of our principal business segments.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014 (unaudited)		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)									
Corporate banking business	2,331	65.1%	2,497	58.7%	2,801	50.9%	1,425	55.6%	1,591	41.3%
Retail banking business	536	15.0	674	15.8	1,046	19.0	478	18.7	690	17.9
Treasury business	412	11.5	1,038	24.4	1,637	29.7	652	25.5	1,522	39.5
Others[(1)]	299	8.4	48	1.1	21	0.4	6	0.2	49	1.3
Total	**3,578**	**100.0%**	**4,257**	**100.0%**	**5,505**	**100.0%**	**2,561**	**100.0%**	**3,852**	**100.0%**

(1) Consists primarily of income and expenses that are not directly attributable to any specific segment.

Operating income of our corporate banking business increased by 7.1% from RMB2,331 million in 2012 to RMB2,497 million in 2013, which in turn increased by 12.2% to RMB2,801 million in 2014. Operating income of our corporate banking business increased by 11.6% from RMB1,425 million for the six months ended June 30, 2014 to RMB1,591 million for the same period in 2015. The continued increase in operating income of our corporate banking business primarily reflected the overall growth in our corporate banking business. Operating income from our corporate banking business represented 65.1%, 58.7%, 50.9% of our total operating income in 2012, 2013 and 2014, respectively, and 55.6% and 41.3% of our total operating income for the six months ended June 30, 2014 and 2015, respectively.

Operating income of our retail banking business increased by 25.7% from RMB536 million in 2012 to RMB674 million in 2013, which in turn increased by 55.2% to RMB1,046 million in 2014. Operating income of our retail banking business increased by 44.4% from RMB478 million for the six months ended June 30, 2014 to RMB690 million for the same period in 2015. Operating income of our retail banking business represented 15.0%, 15.8% and 19.0% of our total operating income in 2012, 2013 and 2014, respectively, and 18.7% and 17.9% of our total operating income for the six months ended June 30, 2014 and 2015, respectively. The continued increase in operating income from our retail banking business, both in absolute terms and as a percentage of our total operating income, was primarily due to our continued efforts to grow our retail banking business and the expansion of our distribution network for our retail banking business.

Operating income of our treasury business more than doubled from RMB412 million in 2012 to RMB1,038 million in 2013, which in turn increased by 57.7% to RMB1,637 million in 2014. Operating income of our treasury business more than doubled from RMB652 million for the six months ended June 30, 2014 to RMB1,522 million for the same period in 2015. Operating income of our treasury business represented 11.5%, 24.4% and 29.7% of our total operating income in 2012, 2013 and 2014, respectively, and 25.5% and 39.5% of our total operating income for the six months ended June 30, 2014 and 2015, respectively. The continued increase in operating income from our treasury business, both in absolute terms and as a percentage of our total operating income, was primarily due to the fast expansion of our treasury operations resulting from the continued growth in our investment securities and other financial assets portfolio and our continued efforts to diversify this portfolio.

Summary Geographical Segment Information

During the Track Record Period, we operate primarily in Henan Province, and our operating income was also derived primarily in Henan Province.

CASH FLOWS

The following table sets forth our cash flows for the years indicated. Please see Appendix I — "Accountants' Report — A. Financial Information of the Bank — IV. Cash Flow Statements" to this prospectus.

	For the year ended December 31,			For the six months ended June 30,	
	2012	**2013**	**2014**	**2014 (unaudited)**	**2015**
	(in millions of RMB)				
Net cash generated from/(used in) operating activities	9,584	11,718	29,447	12,228	(6,721)
Net cash used investing activities	(6,125)	(15,359)	(28,931)	(11,441)	(2,019)
Net cash (used in)/generated from financing activities	(45)	4,955	1,951	(675)	9,074
Net increase in cash and cash equivalents	**3,414**	**1,314**	**2,467**	**112**	**334**

Cash Flows from Operating Activities

Cash inflows from operating activities are primarily attributable to the net increases in deposits from customers, deposits and placements from banks and other financial institutions, and financial assets sold under repurchase agreements and interest income we receive in cash. Cash inflows due to net increase in the balance of our deposits from customers was RMB19,678 million, RMB27,442 million and RMB30,465 million in 2012, 2013 and 2014, respectively, and RMB13,895 million and RMB13,601 million for the six months ended June 30, 2014 and 2015, respectively. Cash inflows due to net increase in deposits and placements from banks and other financial institutions amounted to RMB6,517 million, RMB8,085 million and RMB16,978 million in 2012, 2013 and 2014, respectively, and RMB4,454 million for the six months ended June 30, 2014. Cash outflows due to net decrease in deposits and placements from banks and other financial institutions was RMB1,406 million for the six months ended June 30, 2015. Cash inflows due to net increase in financial assets sold under repurchase agreements amounted to RMB5,533 million, RMB2,162 million and RMB2,292 million in 2012, 2013 and 2014, respectively. Cash outflows due to net decrease in financial assets sold under repurchase agreements was RMB828 million and RMB3,760 million for the six months ended June 30, 2014 and 2015, respectively. We received interest income in cash of RMB3,375 million, RMB4,997 million and RMB6,419 million in 2012, 2013 and 2014, respectively, and RMB2,998 million and RMB3,479 million for the six months ended June 30, 2014 and 2015, respectively.

Cash outflows from our operating activities are primarily attributable to the net increase in loans to customers, deposits with central banks and deposits and placements with banks and other financial institutions. Cash outflows due to net increase in loans to customers was RMB12,754 million, RMB12,790 million and RMB15,038 million in 2012, 2013 and 2014, respectively, and RMB7,103 million and RMB8,427 million for the six months ended June 30, 2014 and 2015, respectively. For a discussion of increases in our loans to customers from December 31, 2012 to June 30, 2015, please see "Assets and Liabilities — Assets — Loans to Customers". Cash outflows due to net increase in deposits with central bank was RMB3,730 million, RMB4,293 million and RMB6,378 million in 2012, 2013 and 2014, respectively, and RMB1,887 million for the six months ended June 30, 2014. Cash inflow due to net decrease in deposits with central bank was RMB356 million for the six months ended June 30, 2015. Cash outflows due to net increase in our deposits and placements with banks and other financial institutions was RMB1,049 million, RMB3,985 million and RMB2,132 million in 2012 and 2013 and for the six months ended June 30, 2015, respectively. Cash inflow due to net decrease in deposits and placements with banks and other financial institutions was RMB3,370 million and RMB1,807 million in 2014 and the six months ended June 30, 2014, respectively.

As a result, cash flows generated by our operating activities increased by 22.3% from RMB9,584 million in 2012 to RMB11,718 million in 2013, which in turn more than doubled to RMB29,447 million in 2014. Our cash flows generated by operating activities was RMB12,228 million for the six months ended June 30, 2014, and our cash flows used in operating activities was RMB6,721 million for the six months ended June 30, 2015.

Cash Flows from Investing Activities

Cash inflows from our investing activities are primarily attributable to proceeds from disposal and redemption of investments. The proceeds from disposal and redemption of investments amounted to RMB5,877 million, RMB11,041 million and RMB60,025 million in 2012, 2013 and 2014, respectively, and RMB17,748 million and RMB54,389 million for the six months ended June 30, 2014 and 2015, respectively.

Our cash outflows from investing activities are primarily attributable to payments made on acquisition of investments. Our payments made on acquisition of investments amounted to RMB12,926 million, RMB27,725 million and RMB91,970 million in 2012, 2013 and 2014, respectively, and RMB30,406 million and RMB58,463 million for the six months ended June 30, 2014 and 2015, respectively.

Cash Flows from Financing Activities

Our cash inflows from financing activities consist solely of proceeds from debt securities issued. Our net proceeds from debt securities issued was RMB5,000 million, RMB3,500 million and RMB11,545 million in 2013 and 2014 and the six months ended June 30, 2015, respectively. We issued fixed rate financial bonds in an aggregate nominal value of RMB5.0 billion in two tranches with coupon rates of 4.58% and 4.80% on May 16, 2013 and fixed rate tier-two capital debts in an aggregate nominal value of RMB2.0 billion with a coupon rate of 5.73% on December 12, 2014. We issued certificates of interbank deposit in an aggregate principal amount of RMB1.5 billion with a tenor of six months on December 11, 2014 at a coupon rate of 4.60%. In the six months ended June 30, 2015, we issued certificates of interbank deposit with an aggregate principal amount of RMB11.9 billion and maturities of three months to one year. We did not issue any debt securities in 2012.

Our cash outflows from financing activities are primarily attributable to interest expenses paid on debt securities issued, repayments on debt securities issued and dividends paid in cash. Our interest payments on our debt securities issued was RMB45 million, RMB45 million and RMB280 million in 2012, 2013 and 2014, respectively, and RMB235 million and RMB270 million in the six months ended June 30, 2014 and 2015, respectively. We repaid our subordinated bonds in an aggregate amount of RMB690 million in 2014 and our certificates of interbank deposit in an aggregate amount of RMB1,500 million in the six months ended June 30, 2015 in cash. We paid dividends in cash of RMB579 million in 2014 and RMB700 million for the six months ended June 30, 2015.

LIQUIDITY

We fund our loan and investment portfolios principally through our customer deposits. Although a majority of deposits from customers have been short-term deposits, customer deposits have been, and we believe will continue to be, a stable source of our funding. Customer deposits with remaining maturities of up to one year represented 92.1%, 89.0%, 86.9% and 84.4% of total deposits from customers at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. For additional information about our short-term liabilities and sources of funds, please see "Assets and Liabilities — Liabilities and Sources of Funds" and "Supervision and Regulation — Other Operational and Risk Management Ratios".

We manage liquidity by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. We do not, nor are we required to, maintain cash resources to meet all the demands for cash payments, and based on our experience, a portion of the maturing deposits will be rolled over and continue to remain with us. We have set limits on the minimum proportion of maturing funds available to meet the demands for cash payment. We have also set the minimum level of interbank and other borrowing facilities in place to meet any unexpected liquidity requirements. Please see "Risk Management — Liquidity Risk Management".

The following table sets forth, at the date indicated, the remaining maturities of our assets and liabilities.

	At June 30, 2015						
	Repayable on demand	Up to 3 months	Over 3 months and up to 12 months	Over 1 year and up to 5 years	Over 5 years	Undated	Total
	(in millions of RMB)						
Assets							
Cash and deposits with central bank.	9,114	—	—	—	—	23,580	32,694
Deposits and placements with banks and other financial institutions	1,310	440	2,501	856	—	—	5,107
Financial assets held under resale agreements	—	8,674	—	—	—	—	8,674
Loans to customers, net	1,160	16,993	45,324	11,455	7,141	2,002	84,075
Investment securities and other financial assets[(1)]	359	18,178	26,280	38,920	6,537	701	90,975
Others	21	599	509	—	—	2,758	3,887
Total assets	**11,964**	**44,884**	**74,614**	**51,231**	**13,678**	**29,041**	**225,412**
Liabilities							
Deposits and placements from banks and other financial institutions	—	15,394	14,891	1,500	—	—	31,785
Financial assets sold under repurchase agreements	—	12,023	—	—	—	—	12,023
Deposits from customers	62,203	22,929	38,273	22,758	—	—	146,163
Debt securities issued	—	1,593	12,392	4,600	—	—	18,585
Others	1,555	2,357	132	240	98	28	4,410
Total liabilities	**63,758**	**54,296**	**65,688**	**29,098**	**98**	**28**	**212,966**
Liquidity gap	**(51,794)**	**(9,412)**	**8,926**	**22,133**	**13,580**	**29,013**	**12,446**
Cumulative liquidity gap	**(51,794)**	**(61,206)**	**(52,280)**	**(30,147)**	**(16,567)**	**12,446**	

(1) Consists of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, financial investments classified as loans and receivables and interest in associates.

CAPITAL RESOURCES

Shareholders' Equity

Our total equity increased from RMB7,671 million at December 31, 2012 to RMB9,536 million at December 31, 2013, which in turn increased to RMB11,405 million at December 31, 2014. At June 30, 2015, our total equity was RMB12,446 million. The following table sets forth, for the periods indicated, the components of the changes in our total equity.

	Total equity
	(in millions of RMB)
At January 1, 2012	**6,210**
Profit for the year	1,460
Other comprehensive income	1
At December 31, 2012	**7,671**
Profit for the year	1,902
Other comprehensive income	(37)
At December 31, 2013	**9,536**
Profit for the year	2,463
Other comprehensive income	(3)
Dividend payment	(591)
At December 31, 2014	**11,405**
Profit for the period	1,751
Other comprehensive income	(1)
Dividend payment	(710)
At June 30, 2015.	**12,446**

Debt

Bonds Issued

On December 31, 2009, we issued subordinated debt in an aggregate principal amount of RMB690 million with a coupon rate for the first five years of 6.5% and a redemption option attached at the fifth anniversary. We redeemed such subordinated debt in full on December 31, 2014.

On May 16, 2013, to fund our loans to small and micro enterprises, we issued financial bonds in an aggregate principal amount of RMB5.0 billion in two tranches: (i) fixed rate financial bonds of RMB2.4 billion with a maturity date on May 20, 2016 and a coupon rate of 4.58%, and (ii) fixed rate financial bonds of RMB2.6 billion with a maturity date on May 20, 2018 and a coupon rate of 4.80%.

On December 12, 2014, to increase our tier-two capital, we issued tier-two capital bonds in an aggregate principal amount of RMB2.0 billion with a maturity date on December 11, 2024 and a coupon rate of 5.73%.

Certificates of Deposit

On December 11, 2014, we issued certificates of interbank deposits in an aggregate principal amount of RMB1.5 billion with a maturity date on June 12, 2015 and a coupon rate of 4.60%.

In the six months ended June 30, 2015, we issued a number of certificates of interbank deposit in an aggregate principal amount of RMB11.9 billion, with maturities of three months to one year.

Capital Adequacy

We are subject to capital adequacy requirements as promulgated by CBRC, which requires banks to maintain minimum levels of core tier-one capital, tier-one capital and total capital. CBRC provides for a transitional period from 2013 to 2018 for commercial banks to gradually meet the requirements. Pursuant to the CBRC requirements, the required minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio for non-systematically important banks was 5.5%, 6.5% and 8.5%, respectively, at December 31, 2013 and 5.9%, 6.9% and 8.9%, respectively, at December 31, 2014.

The following table sets forth, at the date indicated, certain information relating to our capital adequacy, calculated under PRC GAAP and according to the Capital Adequacy Measures.

	At December 31, 2012
	(in millions of RMB, except percentages)
Core capital	
Share capital	3,942
Qualifying portion of capital reserve	73
Surplus reserve	466
General reserve	1,033
Retained earnings	2,087
Subtotal	7,601
Less:	
50% of unconsolidated equity investments and others	(84)
Total core capital, net	**7,517**
Supplementary capital	
General allowance for loan impairment losses	794
Long term subordinated debt	690
Others	51
Subtotal	1,535
Total capital base before deductions	9,136
Deduction:	
Unconsolidated equity investment and others	(166)
Net capital base[(1)]	**8,970**
Risk weighted assets	**58,763**
Core capital adequacy ratio	**12.79%**
Capital adequacy ratio	**15.26%**

(1) Also referred to in this prospectus as "regulatory capital".

At December 31, 2012, our core capital adequacy ratio and capital adequacy ratio was 12.79% and 15.26%, respectively, in compliance with the requirements under the Capital Adequacy Measures.

The following table sets forth, at the dates indicated, certain information relating to our capital adequacy, calculated under PRC GAAP and according to the Capital Administrative Measures.

	At December 31,		At June 30,
	2013	2014	2015
	(in millions of RMB, except percentages)		
Core tier-one capital			
Share capital	3,942	3,942	3,942
Qualifying portion of capital reserve	77	75	75
Surplus reserves	656	902	902
General reserves	1,623	2,313	2,313
Retained earnings	3,238	4,173	5,214
Core tier-one capital, gross	9,536	11,405	12,446
Core Tier-one capital deductibles	(156)	(213)	(240)
Net core tier-one capital	**9,380**	**11,192**	**12,206**
Net tier-one capital	**9,380**	**11,192**	**12,206**
Tier-two capital			
Qualifying portions of tier-two capital instruments issued	621	2,000	2,000
Surplus allowance for loan impairment	1,017	1,176	1,378
Net tier-two capital	1,638	3,176	3,378
Net capital base[(1)]	**11,018**	**14,368**	**15,584**
Total risk-weighted assets	**91,208**	**129,223**	**142,760**
Core tier-one capital adequacy ratio	**10.28%**	**8.66%**	**8.55%**
Tier-one capital adequacy ratio	**10.28%**	**8.66%**	**8.55%**
Capital adequacy ratio	**12.08%**	**11.12%**	**10.92%**

(1) Also referred to in this prospectus as "regulatory capital".

At December 31, 2013 and 2014 and June 30, 2015, our core tier-one capital adequacy ratio was 10.28%, 8.66% and 8.55%, respectively, our tier-one capital adequacy ratio was 10.28%, 8.66% and 8.55%, respectively, and our capital adequacy ratio was 12.08%, 11.12% and 10.92%, respectively, in compliance with the CBRC requirements.

OFF-BALANCE SHEET COMMITMENTS

Our off-balance sheet commitments consist primarily of acceptances, letters of credit, letters of guarantee, loan commitments and credit card commitments. Acceptances consist of undertakings by us to pay bills of exchange issued by our customers. We issue letters of guarantee and letters of credit to guarantee the performance of our customers to third parties. Loan commitments are our commitments to extend credit. The following table sets forth the contractual amounts of our off-balance sheet commitments at the dates indicated.

	At December 31,			At June 30,
	2012	**2013**	**2014**	**2015**
	(in millions of RMB)			
Acceptances	14,534	17,296	26,565	35,351
Letters of credit issued	—	1,453	2,618	2,790
Guarantees	70	326	839	1,188
Unused credit card commitments	—	—	94	286
Total	**14,604**	**19,075**	**30,116**	**39,615**

Our total off-balance sheet commitments increased by 30.6% from RMB14,604 million at December 31, 2012 to RMB19,075 million at December 31, 2013, which in turn increased by 57.9% to RMB30,116 million at December 31, 2014. Our total off-balance sheet commitments further increased to RMB39,615 million at June 30, 2015. The increase in our total off-balance sheet commitments from December 31, 2012 to June 30, 2015 was primarily due to an increase in our acceptances of negotiable instruments.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the face value of our known contractual obligations by remaining contract maturity classified into the categories specified below at June 30, 2015.

	At June 30, 2015			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	(in millions of RMB)			
On-balance sheet				
Debt securities issued	13,985	4,600	—	18,585
Off-balance sheet				
Operating lease commitment	43	125	59	227
Capital commitments authorized or contracted for	89	111	—	200
Total	**14,117**	**4,836**	**59**	**19,012**

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our certain related parties, such as taking deposits from, and extension of credit facilities and provision of other banking services to, the relevant related parties. These transactions were conducted on normal commercial terms and in the ordinary course of our business. Our Directors believe that these related party transactions were carried out on an arm's-length basis and would not distort our results of operations during the Track Record Period or make such results not reflective of our future performance. See Note 2(19) and Note 35 to the Accountants' Report as set forth in Appendix I to this prospectus.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk of financial loss arising from changes in the value of a financial instrument as a result of changes in interest rates, foreign exchange rates, equity prices and commodity prices and other market changes that affect market risk-sensitive instruments. We are exposed to market risk primarily through the assets and liabilities on our balance sheet, as well as our off-balance sheet commitments and guarantees. The market risks to which we are primarily exposed are interest rate risk and exchange rate risk. We have imposed a set of exposure limits on our investment and trading activities in an effort to manage potential market losses within acceptable limits.

Interest Rate Risk

The primary source of our interest rate risk arises from mismatches in the maturity or re-pricing periods of our banking portfolio. Maturity mismatches may cause net interest income to be affected by changes in the prevailing level of interest rates. Currently, we primarily use gap analysis and sensitivity analysis to assess our exposure to interest rate risk. In addition, different pricing bases for different assets and liabilities may also lead to interest rate risk for our assets and liabilities within the same re-pricing period. We manage our interest rate risk exposure primarily by adjusting the maturity profile of our banking portfolio based on our assessment of potential changes in the interest rate environment.

Re-pricing Gap Analysis

The following table sets forth, at the date indicated, the results of our gap analysis based on the earlier of (i) the next expected re-pricing dates, and (ii) the final maturity dates for our financial assets and liabilities.

	At June 30, 2015					
	Up to 3 month	3 months up to 1 year	1 year up to 5 years	Over 5 years	Non-interest-bearing	Total
	(in millions of RMB)					
Assets						
Cash and deposits with central bank	31,696	—	—	—	998	32,694
Deposits with banks and other financial institutions	1,720	2,500	856	—	31	5,107
Financial assets held under resale agreements	8,674	—	—	—	—	8,674
Loans to customers, net	79,310[1]	4,765	—	—	—	84,075
Investment securities and other financial assets[2]	37,002	12,370	35,298	6,127	178	90,975
Others	—	—	—	—	3,887	3,887
Total assets	**158,402**	**19,635**	**36,154**	**6,127**	**5,094**	**225,412**
Liabilities						
Deposits and placements from banks and other financial institutions	15,394	14,891	1,500	—	—	31,785
Financial assets sold under repurchase agreements	12,023	—	—	—	—	12,023
Deposits from customers	84,679	38,273	22,758	—	453	146,163
Debt securities issued	1,593	12,392	4,600	—	—	18,585
Others	—	—	—	—	4,410	4,410
Total liabilities	**113,689**	**65,556**	**28,858**	**—**	**4,863**	**212,966**
Re-pricing gap	**44,713**	**(45,921)**	**7,296**	**6,127**	**231**	**12,446**
Cumulative re-pricing gap	**44,713**	**(1,208)**	**6,088**	**12,215**	**12,446**	

(1) Includes overdue loans in the amount of RMB2,895 million.

(2) Consists of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, financial investments classified as loans and receivables and interest in associates.

Sensitivity Analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on our net profit and other comprehensive income. The following table sets forth, at the dates indicated, the results of our interest rate sensitivity analysis based on our assets and liabilities at the same date.

	At December 31,			At June 30,
	2012	**2013**	**2014**	**2015**
	(in millions of RMB)			
Increase/(Decrease) in net profit				
+100 basis points	(29)	(66)	(4)	77
- 100 basis points	29	66	4	(77)
Increase/(Decrease) in other comprehensive income				
+100 basis points	(58)	(74)	(101)	70
- 100 basis points	58	74	101	(70)

Based on our assets and liabilities at June 30, 2015, if interest rates increase (or decrease) by 100 basis points instantaneously, our net profit for the year following June 30, 2015 would increase (or decrease) by RMB77 million. If interest rates increase (or decrease) by 100 basis points instantaneously, our other comprehensive income for the year immediately following June 30, 2015 would increase (or decrease) by RMB70 million.

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, which are reflected by the re-pricing of our assets and liabilities within a year, on our annualized net profit and other comprehensive income. The analysis is based on the following assumptions: (i) all assets and liabilities that are re-priced or due within three months and in more than three months but within one year, as shown in the table under " — Re-pricing Gap Analysis", are re-priced or due in the beginning of the respective periods (i.e., all the assets and liabilities that are re-priced or due within three months are re-priced or become due immediately, and all the assets and liabilities that are re-priced or due in more than three months but within one year are re-priced or become due in three months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio. Actual changes in our net profit and other comprehensive income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Exchange Rate Risk

The primary source of our exchange rate risk arises from currency mismatches in our assets and liabilities. We primarily monitor our net currency positions to assess our exposure to exchange rate risk. We manage our exchange rate risk primarily by seeking to match the assets and liabilities on a currency-by-currency basis.

The following table sets forth, at the date indicated, our financial assets and liabilities by currency.

	At June 30, 2015			
	RMB	US$	Others	Total
	(in millions of RMB equivalent)			
Assets				
Cash and deposits with central bank	32,597	96	1	32,694
Deposits with banks and other financial institutions	2,091	3,016	—	5,107
Financial assets held under resale agreements	8,674	—	—	8,674
Loans to customers, net	83,830	245	—	84,075
Investment securities and other financial assets[(1)]	90,975	—	—	90,975
Other assets	3,847	40	—	3,887
Total assets	**222,014**	**3,397**	**1**	**225,412**
Liabilities				
Deposits and placements from banks and other financial institutions	31,785	—	—	31,785
Financial assets sold under repurchase agreements	12,023	—	—	12,023
Deposits from customers	142,893	3,270	—	146,163
Debt securities issued	18,585	—	—	18,585
Other liabilities	4,278	131	1	4,410
Total liabilities	**209,564**	**3,401**	**1**	**212,966**
Net balance sheet position	**12,450**	**(4)**	**—**	**12,446**

(1) Consists of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, financial investment classified as loans and receivables and interest in associates.

The following table sets forth, for the years following the dates indicated, the changes in our net profit caused by 1% fluctuation in the spot and forward exchange rate against Renminbi for all foreign currencies simultaneously at the date indicated.

	At December 31,			At June 30,
	2012	2013	2014	2015
	(in thousands of RMB)			
+ 1%	—	148	155	4
- 1%	—	(148)	(155)	(4)

CAPITAL EXPENDITURES

Our capital expenditures in 2012, 2013 and 2014 and for the six months ended June 30, 2015 were primarily made for the acquisition of properties for, and refurbishment of, our branch and sub-branches, purchases of self-service banking equipment, and development of our information system.

Our capital expenditures more than doubled from RMB121 million in 2012 to RMB303 million in 2013, which in turn increased by 53.8% to RMB466 million in 2014. For the six months ended June 30, 2014 and 2015, our capital expenditures amounted to RMB92 million and RMB154 million, respectively.

At June 30, 2015, we had authorized capital commitments of RMB200 million, of which RMB89 million were contracted for, and RMB111 million were authorized but not contracted for. Our total capital expenditures for the year ending December 31, 2015 are expected to be RMB632 million. The foregoing amounts and purposes may change depending on business conditions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of our accounting policies described in Note 2 of the Accountants' Report included in Appendix I to this prospectus, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. During the Track Record Period, we consistently adopted these accounting estimates and judgments, and we currently do not expect any significant changes to these estimates and judgments in the foreseeable future.

Impairment Losses on Loans to Customers, Available-for-sale Financial Assets and Held-to-maturity Investments

We assess our loan portfolios, available-for-sale financial assets and held-to-maturity investments periodically to determine whether there is any objective evidence that impairment of such assets has occurred, and, if so, the amount of impairment losses. Such assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and such event(s) has an impact on the estimated future cash flows of the loan or loan portfolio that can be reliably estimated. Objective evidence of impairment includes, but is not limited to the following events:

- observable data showing that the estimated future cash flow from an individual loan, available-for-sale financial asset or held-to-maturity investment will significantly decrease,

- observable data showing adverse change in the repayment condition of the obligor or issuer in the portfolio, or

- breach of contract in the portfolio caused by changes in national or regional economic conditions.

Loans considered individually significant, consisting of all our corporate loans and discounted bills, are assessed individually for impairment. The impairment losses for impaired individually significant loans are individually measured as the difference between the asset's carrying value and the present value of the estimated future cash flows, except when such difference for a short-term loan or held-to-maturity is small, such difference will not be discounted to its current value. Impairment losses for held-to-maturity investments are assessed based on the observable market value of the impaired asset. Impairment losses for available-for-sale financial assets are measured as the difference between the cost (net of principal repayments and amortizations) and the fair value, net of any impairment losses recognized through profit and loss.

Individually significant loans that exhibit no objective evidence of impairment on an individual basis and homogeneous groups of loans that are individually insignificant, i.e., personal loans, are assessed collectively for impairment. The impairment losses for loans assessed collectively for impairment are estimated based on historical loss experience on assets with similar credit risk factors, subject to adjustments based on observable data reflecting current economic conditions. The management reviews the method and assumptions used to estimate the future cash flows to minimize the differences between the estimated and actual loss.

Fair Value of Financial Instruments

Fair value for financial instruments that are quoted in active markets is the market price for such financial instruments. We use valuation technique for financial instruments which are not quoted in an active market. Valuing techniques include discounted cash flow and other pricing models. To the extent practical, our pricing models use only observable data. However, the future cash flows are based on the management's best estimates of the future. Changes in assumptions when making these estimates could affect the reported fair value of financial instruments.

Held-to-maturity Investments

We classify non-derivative financial assets with fixed or determinable payments and fixed maturity that our management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgment. In making this judgment, we evaluate our management's intention and ability to hold such investments to maturity. If we fail to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), the entire portfolio of assets will be reclassified as available-for-sale financial assets.

Income Taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Bank 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 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 judgment 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.

Impairment of Non-financial Assets

We assess our fix assets and intangible assets periodically for impairment to determine whether the recoverable amount for such assets is below their carrying value. Fix assets and intangible assets are deemed impaired, and impairment losses are recognized, if circumstances indicate that the carrying value of such assets may not be fully recovered.

In assessing the present value of future cash flows, significant judgments 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 assumptions.

Depreciation and Amortization

Fix assets and intangible assets are depreciated and amortized over their estimated useful lives after taking into account residual values. We review the estimated useful lives of our fix assets and intangible assets periodically to determine the depreciation and amortization costs charged in each period. The estimated useful lives are determined based on historical experience of similar assets and the estimated technical changes. The amount of depreciation and amortization will be revised if there are significant changes in the assumptions used to determine the depreciation or amortization.

INDEBTEDNESS

At October 31, 2015 (being the date for the purpose of this indebtedness statement, before this prospectus is printed), we have the following indebtedness:

- fixed rate tier-two capital bonds in an aggregate principal amount of RMB2.0 billion issued in December, 2014 at a coupon rate of 5.73% per annum, maturing in December 2024;
- fixed rate financial bonds with an aggregate amount of RMB5.0 billion issued in May 2013, including (i) fixed rate financial bonds in an aggregate principal amount of RMB2.4 billion at a coupon rate of 4.58% per annum, maturing in May 2016, and (ii) fixed rate financial bonds in an aggregate principal amount of RMB2.6 billion at a coupon rate of 4.80% per annum, maturing in May 2018, both with annual interest payments;
- certificates of interbank deposit in an aggregate principal amount of RMB19.1 billion;
- deposits from customers, deposits and placements from banks and other banks and financial institutions and financial assets sold under repurchase agreements that arose from the normal course of our banking business; and
- unused credit card commitments, bank acceptances, letters of credit and letters of guarantee issued, other commitments and contingencies (including pending litigation) that arose from our normal course of banking business.

Except as disclosed above, we did not have, at October 31, 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 company since October 31, 2015 up to the date of this prospectus.

RULE 13.13 TO RULE 13.19 OF THE LISTING RULES

We confirm that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals (adopted by two-thirds majority) in respect of dividend payments, if any, to our Shareholders' general meetings for approval. The determination of whether to pay dividends and the amount of such dividends 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 of Directors considers relevant. As approved by our Shareholders' general meeting, our existing and new Shareholders are both entitled to the accumulated retained earnings prior to the Global

Offering. Subject to our Articles of Association and the regulatory requirements relating to dividend distributions, our Board of Directors will propose profit distribution plans to our Shareholders' general meetings to distribute annual cash dividends in an aggregate amount of approximately 30% of the distributable profit realized for the year. 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 laws, we may only pay dividends out of our distributable profit. Our distributable profit represents the lowest of (i) our consolidated net profit attributable to our equity holders for the period plus the distributable profit or net of the accumulated losses, if any, at the beginning of such period as determined under PRC GAAP, (ii) the unconsolidated net profit of our Bank for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, (iii) our consolidated net profit attributable to our equity holders for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, and (iv) the unconsolidated net profit of our Bank for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, less:

- appropriations we are required to make to the statutory surplus reserve, which is currently 10% of our net profit as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;

- a general reserve we are required to set aside; and

- appropriations to a discretionary surplus reserve as approved by our Shareholders in an annual general meeting.

Under relevant MOF regulations, we are required to maintain a general reserve no less than 1.5% of the balance of our risk-bearing assets from our net profits after tax. This general reserve constitutes part of our reserves. At December 31, 2014, the balance of our general reserve amounted to RMB2,313 million, in compliance with the MOF requirements in respect of appropriation of the general reserve.

Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, generally we 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 dividends 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 the amounts they received in such profit distributions to us.

CBRC has the discretionary authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated other relevant PRC banking regulations, from paying dividends or making other forms of distributions. At June 30, 2015, we had a capital adequacy ratio of 10.92%, a tier-one capital adequacy ratio of 8.55% and a core tier-one capital adequacy ratio of 8.55%, in compliance with the relevant CBRC regulations. Please see "Supervision and Regulation — Supervision over Capital Adequacy — Regulatory Requirements in respect of Capital Adequacy Ratios" and "Supervision and Regulation — Principal Regulators — CBRC — Examination and Supervision".

We declared cash dividends of RMB591 million in June 2014 in respect of the year ended December 31, 2013, and cash dividends of RMB710 million in June 2015 in respect of the year ended December 31, 2014. Declared but unpaid dividends, including dividends payable to Shareholders that we were unable to contact, are recorded as "dividends payable" under "other liabilities" on our financial statements. 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.

LISTING EXPENSES

We incur listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees. Listing expenses to be borne by us are estimated to be approximately RMB111 million. Listing expenses of RMB8 million had been incurred as of June 30, 2015. Listing expenses of approximately RMB103 million are expected to be incurred after June 30, 2015, of which RMB13 million is expected to be charged to our statement of profit or loss and other comprehensive income and RMB90 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such expenses to have a material adverse impact on our results of operations for the year ending December 31, 2015.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets is prepared based on our net tangible assets at June 30, 2015, as shown in the historical financial information as set out in the Accountants' Report included in Appendix I to this prospectus, adjusted as described below.

The statement of unaudited pro forma adjusted net tangible assets has been prepared to show the effect on our net tangible assets at June 30, 2015 as if the Global Offering had occurred on June 30, 2015. The unaudited pro forma adjusted net tangible asset per Share is calculated in accordance with Listing Rules 4.29.

The statement of our unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, as a result, may not be an accurate reflection of our financial position.

	Net tangible assets at June 30, 2015	Estimated net proceeds from the Global Offering	Pro forma adjusted net tangible assets	Pro forma adjusted net tangible assets per Share	
	(in millions of RMB)			*(RMB)*	*(HK$)*
Based on the Offer Price of HK$3.85 per Offer Share	12,358(1)	3,719(2)(5)	16,077(3)	3.13(4)	3.79(5)
Based on the Offer Price of HK$4.21 per Offer Share	12,358(1)	4,070(2)(5)	16,428(3)	3.19(4)	3.87(5)

(1) The net tangible assets at June 30, 2015 is compiled based on the financial information included in the Accountants' Report set out in Appendix I to this prospectus and is based on the net assets of RMB12,446 million less intangible assets of RMB88 million at June 30, 2015.

(2) The estimated net proceeds from the Global Offering, for the purpose of unaudited pro forma adjusted net tangible assets, are based on the Offer Price of HK$3.85 (being the minimum offer price) and HK$4.21 per H Share (being the maximum offer price) 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 other listing expenses expected to be capitalised upon the Listing and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The pro forma adjusted net tangible assets do not take into account our financial results or other transactions subsequent to June 30, 2015.

(4) The pro forma adjusted net tangible assets per Share is arrived on the basis of 5,141,931,900 Shares in issue assuming that the Global Offering had been completed on June 30, 2015 and that the Over-allotment Option were not exercised.

(5) The estimated net proceeds from the Global Offering and the pro forma adjusted net tangible assets per share are translated into Renminbi at the rate of RMB0.82534 to HK$1.00, the exchange rate set by PBoC prevailing on December 1, 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.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Based on our unaudited financial information at and for the nine months ended September 30, 2015, our net interest income increased by 37.7% to RMB5,180 million for the nine months ended September 30, 2015 as compared to RMB3,763 million for the same period in 2014.

In addition, our total assets increased by 7.4% to RMB242,083 million at September 30, 2015 from RMB225,412 million at June 30, 2015. In particular, our gross loans to customers increased by 4.5% to RMB90,286 million at September 30, 2015 from RMB86,369 million at June 30, 2015. Our total deposits from customers increased by 7.3% to RMB156,779 million at September 30, 2015 from RMB146,163 million at June 30, 2015.

The financial information disclosed above is derived from our interim financial statements at and for the nine months ended September 30, 2015, which have been reviewed by our Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

At September 30, 2015, our non-performing loan ratio remained stable at 1.06%, the same as that at June 30, 2015.

Our Directors confirm that, since June 30, 2015 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of part A of Appendix 1A of the Listing Rules require this prospectus to include a statement by our Directors that, in their opinion, the working capital available to our Company is sufficient for at least 12 months from the publication of this prospectus or, if not, how it is proposed to provide the additional working capital our Directors consider 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, PBoC and CBRC. These regulatory authorities impose minimum capital adequacy and liquidity 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 the Directors in this prospectus.

FUTURE PLANS

For a details on our future plans, please see "Business — Our Strategies".

USE OF PROCEEDS

Assuming an Offer Price of HK$3.85, being the low-end of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering (after deduction of underwriting commissions and estimated expenses borne by us in relation to the Global Offering) to be approximately HK$4,488 million, if the Over-allotment Option is not exercised; or approximately HK$5,171 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$4.03, being the mid-point of the proposed Offer Price range of HK$3.85 to HK$4.21, we estimate that the net proceeds of the Global Offering (after deduction of underwriting commissions and estimated expenses borne by us in relation to the Global Offering) to be approximately HK$4,701 million, if the Over-allotment Option is not exercised; or approximately HK$5,416 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$4.21, being the high-end of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering (after deduction of underwriting commissions and estimated expenses borne by us in relation to the Global Offering) to be approximately HK$4,914 million, if the Over-allotment Option is not exercised; or approximately HK$5,660 million, if the Over-allotment Option is exercised in full.

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 "Share Capital — Transfer and sale of state-owned shares".

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$462.0 million, if the Over-Allotment Option is not exercised, or approximately HK$531.3 million, if the Over-Allotment Option is exercised in full, assuming an Offer Price of HK$3.85, being the low-end of the proposed Offer Price range;

- approximately HK$483.6 million, if the Over-Allotment Option is not exercised, or approximately HK$556.1 million, if the Over-Allotment Option is exercised in full, assuming an Offer Price of HK$4.03, being the mid-point of the proposed Offer Price range; and

- approximately HK$505.2 million, if the Over-Allotment Option is not exercised, or approximately HK$581.0 million, if the Over-Allotment Option is exercised in full, assuming an Offer Price of HK$4.21, being the high-end of the proposed Offer Price range.

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.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors in aggregate have agreed to subscribe for 838,000,000 H Shares at the Offer Price. Assuming no exercise of the Over-allotment Option, the total number of H Shares that the Cornerstone Investors would subscribe for would represent 63.48% of the Offer Shares, and 16.30% of the Shares in issue upon completion of the Global Offering. Assuming full exercise of the Over-allotment Option, the total number of H Shares that the Cornerstone Investors would subscribe for would represent 55.20% of the Offer Shares, and 15.75% of the Shares in issue upon completion of the Global Offering.

To the best knowledge of the Bank, each of the Cornerstone Investors is independent of the Bank, its connected persons and their respective associates, and not an existing Shareholder. Save and except Huinong Fund International Investments Ltd. and Tech Flourish Enterprises Limited, both of which are indirectly under the common control of Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) ("**Shang Finance**"), each of the Cornerstone Investors is independent from each other. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Bank on or around December 22, 2015.

The cornerstone placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of the Bank. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Bank, nor will any of the Cornerstone Investors become a substantial shareholder of the Bank (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors 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".

Cornerstone Investors

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the cornerstone placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the cornerstone placing:

1. Lightning Triumph Limited

Lightning Triumph Limited ("**Lightning Triumph**") has agreed to subscribe for 254,500,000 H Shares at the Offer Price. The total number of H Shares that Lightning Triumph would subscribe for would represent approximately 19.28% of the Offer Shares, and 4.95% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

Lightning Triumph is a BVI business company incorporated in the British Virgin Islands. It is a wholly-owned special purpose investment vehicle of CCCC Financial Limited (中國城市國際金融控股集團有限公司), which in turn is indirectly wholly-owned by China City Construction Holding Group Co., Limited (中國城市建設控股集團有限公司) ("**China City Construction**"). The principal activities of China City Construction include operation and development of real estate, urban infrastructure construction, construction works, decoration, roads and bridges construction, forestation works, pipeline works, water works and surveying and design. China City Construction is indirectly wholly-owned by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部).

2. Orient Best Investments Limited

Orient Best Investments Limited ("**Orient Best**") has agreed to subscribe for 254,500,000 H Shares at the Offer Price. The total number of H Shares that Orient Best would subscribe for would represent approximately 19.28% of the Offer Shares, and 4.95% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

Orient Best is a company incorporated in the British Virgin Islands with limited liability. It is the overseas investment platform of, and ultimately beneficially owned by Mr. JIANG Lei (蔣磊). Mr. JIANG Lei is the chief executive officer and an executive director of Pan Asia Environmental Protection Group Limited (泛亞環保集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 556).

3. Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司)

Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司) ("**Hong Kong Xingrui**") has agreed to subscribe for 100,000,000 H Shares at the Offer Price. The total number of H Shares that Hong Kong Xingrui would subscribe for would represent approximately 7.58% of the Offer Shares, and 1.94% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

Hong Kong Xingrui is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司) ("**Xingrui Industrial**"). The principal activities of Hong Kong Xingrui include supply chain management and related ancillary services, national trade and international freight forwarding. The principal activities of Xingrui Industrial include supply chain management and related ancillary service, import and export trade, bulk trade and international freight forwarding. Xingrui Industrial is a joint venture established between Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區（鄭州航空港區）興港投資發展有限公司) ("**Zhengzhou Xinggang**") and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司) ("**Ruimaotong**").

Zhengzhou Xinggang is a state-owned company under the Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會) and Ruimaotong is a wholly-owned subsidiary of Ruimaotong Supply Chain Management Co., Limited, a company listed on the Shanghai Stock Exchange (stock code: 600180).

4. Zhengzhou Zhengdong Construction Investment Corporation (鄭州市鄭東新區建設開發投資總公司)

Zhengzhou Zhengdong Construction Investment Corporation (鄭州市鄭東新區建設開發投資總公司) ("**Zhengdong Construction Investment**") has agreed to subscribe through an asset manager that is a qualified domestic institutional investor managed by the Bank of Communications Schroder Fund Management Co., Ltd. ("**BoCom Schroder**"), or to procure such asset manager to subscribe on its behalf for 100,000,000 H Shares at the Offer Price. The total number of H Shares that Zhengdong Construction Investment would subscribe for would represent approximately 7.58% of the Offer Shares, and 1.94% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

Zhengdong Construction Investment is an investment and financing platform established by the Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會). The principal activities of Zhengdong Construction Investment include provision of investment and financing services for the construction of infrastructure facilities in Zhengdong New District, construction, investment, financing, operation, management of infrastructure facilities in Zhengdong New District and operation of state-owned assets, investment and operation of key construction projects within the district, operation and management of state-owned facility and projects within the district, research and development, and investment management.

For the purposes of Appendix 6 to the Listing Rules, BoCom Schroder is a "connected client" of BOCOM International Securities Limited ("**BOCOM Securities**"), one of the Joint Bookrunners, as it is a member of the same group of companies as BOCOM Securities which is an "Exchange Participant" as defined in the Listing Rules.

Pursuant to the cornerstone investment agreement entered into between, among others, us and Zhengdong Construction Investment, Zhengdong Construction Investment will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date, dispose of (as defined in the cornerstone investment agreement entered into between, among others, us and Zhengdong Construction Investment) any of the H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances. The qualified domestic institutional investor shall be treated in an equal manner as other Cornerstone Investors in the allocation process.

5. Citigroup Global Markets Limited & Huinong Fund International Investments Ltd. (惠農基金國際投資有限公司)

Citigroup Global Markets Limited ("**CGML**") has agreed to subscribe for 69,000,000 H Shares at the Offer Price. The total number of H Shares that CGML would subscribe for would represent approximately 5.23% of the Offer Shares, and 1.34% of the Shares in issue upon completion of the Global Offering, assuming no exercise of the Over-allotment Option.

Prior to the Listing Date, CGML would enter into a cash settled derivative transaction (the "**Derivative Transaction**") pursuant to which it has transferred its full economic exposure (share price gains and losses as well as dividend returns) in the Shares purchased by it to Huinong Fund International Investments Ltd. ("**Huinong**"). The Derivative Transaction is fully funded and, on entry into the Derivative Transaction, Huinong paid to CGML an amount equal to the amount that CGML will pay to the Bank as the subscription price for the Shares. Huinong will also be paying CGML fees for the Derivative Transaction.

Notwithstanding the Derivative Transaction, CGML will hold the Shares purchased and Huinong will have no proprietary interest in the Shares, and Huinong will not have any voting rights to the Shares which CGML subscribes for.

Huinong has constructed this investment route with CGML to invest in the Shares via the Derivative Transaction as Huinong seeks only economic exposure to the Shares and does not require voting rights or beneficial ownership in the Shares. Upon expiry of the lock-up period, CGML will have the sole discretion to dispose of the Shares it holds. Both CGML and Huinong are considered as Cornerstone Investors.

CGML is a wholly-owned indirect subsidiary of Citigroup Inc. and is authorized by the Prudential Regulation Authority of the United Kingdom and regulated by the Financial Conduct Authority and the Prudential Regulation Authority of the United Kingdom.

Huinong is an exempted company limited by shares incorporated in the Cayman Islands. It is a wholly-owned special investment vehicle of Ningbo Huinong Gangwan Equity Investment Partnership (Limited Partnership) 寧波惠農港灣股權投資合伙企業(有限合伙) ("**Ningbo Huinong**"). Ningbo Huinong is a limited partnership managed by Shenzhen Ronghui Xincheng Investment Management Limited, which in turn is wholly-owned by Shang Finance. Shang Finance is a fund management company which focuses on investment management, investment consultancy, asset management and market research.

6. Tech Flourish Enterprises Limited (科茂企業有限公司)

Tech Flourish Enterprises Limited (科茂企業有限公司) ("**Tech Flourish**") has agreed to subscribe for 60,000,000 H Shares at the Offer Price. The total number of H Shares that Tech Flourish would subscribe for would represent approximately 4.55% of the Offer Shares, and 1.17% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

Tech Flourish is a BVI Business Company incorporated in the British Virgin Islands. It is wholly-owned by Shangrong Financial Holdings Co., Limited (尚融金融控股有限公司), which is a wholly-owned overseas investment platform of Ningbo Gangwan Jinkong Equity Investment Limited Company (寧波港灣金控股權投資有限公司) ("**Ningbo Gangwan**"). The principal activity of Tech Flourish is investment while Ningbo Gangwan is engaged in the business of investment management, investment consultancy, asset management and market research. Ningbo Gangwan is held as to 90% by Shang Finance and 10% by Beijing CHNC Corporation (北京惠農資本管理有限公司), which in turn is also held as to 98% by Shang Finance. On the other hand, Huinong, another Cornerstone Investor, and Tech Flourish are indirectly under the common control of Shang Finance. As such, Shang Finance will be deemed to have an interest in the shareholding of Tech Flourish and Huinong in us. Taking into account the aggregate number of Shares that Tech Flourish and Huinong will be interested in, Shang Finance will not become our substantial shareholder (as defined under the Listing Rules).

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent (i) the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) and not having been terminated; and (ii) the Listing Committee of the Hong Kong Stock Exchange having granted the Listing of, and permission to deal in, the H shares and that such approval or permission has not been revoked.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Bank and the relevant underwriter(s), it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that, among others, such wholly-owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, abide by the terms and restrictions imposed on the Cornerstone Investor.

HONG KONG UNDERWRITERS

CLSA Limited

BOCOM International Securities Limited

CCB International Capital Limited

Orient Securities (Hong Kong) Limited

Haitong International Securities Company Limited

Guotai Junan Securities (Hong Kong) Limited

ICBC International Securities Limited

Pan Asia Corporate Finance Limited

ABCI Securities Company Limited

Get Nice Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 132,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscriptions for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Purchase Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors shall be entitled by notice (orally or in writing) to our Bank to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, 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 States, the United Kingdom, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to our Bank or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change (whether or not permanent), 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 (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; 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 Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) 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 any securities of our Bank listed or quoted on a stock exchange or an over-the-counter market; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof), Japan, Singapore or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(vi) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vii) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(viii) 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 Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(ix) any actions, suits and proceedings (including, without limitation, any investigation or inquiry by or before any authority) and claims (whether or not any such claim involves or results in any action, suit or proceeding) of any third party being threatened or instigated against our Bank; or

(x) a 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

(xi) the chairman or president of our Bank vacating his or her office; or

(xii) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) a contravention by our Bank of the Listing Rules or applicable laws; or

(xiv) a prohibition on our Bank for whatever reason from offering, allotting, issuing or selling any of the H Shares (including any additional H Shares which may be issued or sold pursuant to the exercise of Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xvi) 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 Ordinance, 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

(xvii) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xviii) an order or petition for the winding up of our Bank or any composition or arrangement made by our Bank with its creditors or a scheme of arrangement entered into by our Bank or any resolution for the winding-up of our Bank or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of our Bank or anything analogous thereto occurring in respect of our Bank,

which, in the case of any of (a)(i) to (xviii) above, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators and the Joint Sponsors (1) has or will have or is reasonably expected to have a material adverse effect on the assets, liabilities, general affairs, business, management, prospectus, shareholders' equity, profits, losses, results of operations, financial position or condition, or performance of our Bank, taken as a whole; or (2) has or will have or is reasonably expected 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 (3) makes or will make or is reasonably expected to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement incapable of being performed 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 Joint Sponsors:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in 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 or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms 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 assumptions when taken as a whole; 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, not having been disclosed in this prospectus, constitute an material omission therefrom; or

(iii) any material breach of any of the obligations by our Bank under the Hong Kong Underwriting Agreement or by our Bank or the Selling Shareholders in 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 indemnity clause under the Hong Kong Underwriting Agreement; or

(v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Bank, taken as a whole; or

(vi) any breach of any of the representations, warranties and undertakings of our Bank as set out in the Hong Kong Underwriting Agreement, or any event or circumstance rendering any of such representations, warranties and undertakings of our Bank untrue or incorrect or misleading in any respect; or

(vii) that the approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted (not including granting of such approval subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) that our Bank has withdrawn this prospectus or the Global Offering; or

(ix) that any person named as expert in this prospectus has withdrawn its consent to being named in this prospectus or to the issue of this prospectus with the inclusion of its reports, letters, and/or opinions (as the case may be).

Undertakings to the Stock Exchange Pursuant to the Listing Rules

Undertakings by Our Bank

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Bank

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that, 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 this Agreement and ending on, and including, the date that is six months after the Listing Date, not to without the prior written consent of the Joint Global Coordinators (for themselves on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules:

(a) 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, or agree to transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of our Bank, as applicable, 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, as applicable or any interest in any of the foregoing), or deposit any H Shares or other securities of our Bank, as applicable, with a depositary in connection with the issue of depositary receipts;

(b) 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, as applicable, 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, as applicable or any interest in any of the foregoing);

(c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a) or (b) above; or

(d) offer to or agree to, or announce any intention to effect, any transaction specified in sub-paragraph (a), (b) or (c) above,

in each case, whether any of the foregoing transactions specified in sub-paragraphs (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of our Bank as applicable, or, in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within six months after the Listing Date. In the event that our Bank enters into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction after six months after the Listing Date, 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.

Indemnity

We have agreed to indemnify the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and 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.

Hong Kong Underwriters' Interests in Our Bank

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Bank or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Bank.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Purchase Agreement

In connection with the International Offering, it is expected that we and the Selling Shareholders will enter into the International Purchase Agreement with the International Purchasers and the Joint Global Coordinators. Under the International Purchase Agreement, subject to the conditions set out therein, the International Purchasers will severally agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective portions of the International Offer Shares which are not taken up under the International Offering.

We and the Selling Shareholders expect to grant the Over-allotment Option to the International Purchasers, exercisable by the Joint Global Coordinators on behalf of the International Purchasers, until 30 days after the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot and the Selling Shareholders to sell up to an aggregate of 198,000,000 H Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price of all the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. In addition, we agree to pay to the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) an incentive fee of up to 0.5% of the aggregate Offer Price of all the Hong Kong Offer Shares in such proportions as may be determined by us.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Global Coordinators and the relevant International Purchasers.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$135 million (assuming an Offer Price of HK$4.03 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and the Over-allotment Option is not exercised at all), are payable and borne by our Bank.

INDEPENDENCE OF THE JOINT SPONSORS

CITIC CLSA Capital Markets Limited, one of the Joint Sponsors, does not consider itself to be independent from our Bank according to Rule 3A.07 of the Listing Rules. CITIC CLSA Capital Markets Limited and its affiliates have current business relationships with our Bank which may be considered to affect CITIC CLSA Capital Markets Limited's independence for the purpose of Rule 3A.07 of the Listing Rules.

BOCOM International (Asia) Limited, one of the Joint Sponsors, satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (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 in the section headed "— The Hong Kong Public Offering" below; and

(b) the International Offering 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 and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act.

The Offer Shares will represent approximately 25.7% 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 28.5% 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 "— The International Offering — Over-allotment Option" 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 QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the US Securities Act, as well as 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 number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the sub-section entitled "— The Hong Kong Public Offering — Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 132,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.6% of the enlarged issued share capital of our Bank immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation 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.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be equally divided into two pools for allocation purposes (subject to adjustment at odd lot size): Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million or less (excluding the brokerage, SFC transaction levy and the

Hong Kong Stock Exchange trading fee payable). The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million and up to the total value of Pool B (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). 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 Hong Kong Offer Shares (being 50% of the 132,000,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. 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 Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 132,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 396,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 528,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 660,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators and the Joint Sponsors. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Joint Global Coordinators and the Joint Sponsors have the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportion as the Joint Global Coordinators and the Joint Sponsors 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 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 it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$4.21 per Offer Share in addition to the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing and Allocation" below, is less than the maximum price of HK$4.21 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for the Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The International Offering will consist of an initial offering of 1,188,000,000 International Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the 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 H Shares, and/or hold or sell its H Shares, after the listing of the H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Bank and its Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation and Clawback" or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Bank and the Selling Shareholders are expected to grant the Over-allotment Option to the International Purchasers, exercisable by the Joint Global Coordinators at their sole and absolute discretion for themselves and on behalf of the International Purchasers within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require our Bank to issue and allot and the Selling Shareholders to sell up to an aggregate of 198,000,000 Offer Shares representing in aggregate approximately 15% of the initial number of the Offer Shares at the Offer Price to among other things (such as effecting the permitted stabilizing actions as set out in "— Stabilization" below), cover over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised. The Joint Global Coordinators may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

STABILIZATION

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 a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilization action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the 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, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on Friday, January 15, 2016, being the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting for them may cover such over-allocation by, among other methods, using H Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO.

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.176) on November 5, 2015, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, 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.

PRICING AND ALLOCATION

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

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 the Price Determination Date, which is expected to be on or about Wednesday, December 16, 2015 and in any event no later than Monday, December 21, 2015.

The Offer Price will not be more than HK$4.21 per Offer Share and is expected to be not less than HK$3.85 per Offer Share 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 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Monday, December 21, 2015, the Global Offering will not proceed and will lapse.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators and the Joint Sponsors consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time 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 Wednesday, December 16, 2015, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**, and on our Bank's website at **www.zzbank.cn**, notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics, and the future plans and use of proceeds as currently set out in "Summary" and any other financial information which may change as a result of such reduction.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators and the Joint Sponsors may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators and the Joint Sponsors.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering stated in this prospectus and the

Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, December 22, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Bank (**www.zzbank.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**).

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is 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 Priced Determination Date.

We expect that our Bank and the Selling Shareholders will, on or about Wednesday, December 16, 2015, shortly after determination of the Offer Price, enter into the International Purchase Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Purchase Agreement are summarized in the section entitled "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, inter alia:

(a) the Listing Committee granting the listing of, and permission to deal in, the Offer Shares to be issued pursuant to the Global Offering (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;

(b) our Bank having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Hong Kong Stock Exchange;

(c) the Offer Price having been duly determined and the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) 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 respective Underwriting Agreements (unless and to the extent such conditions are validly 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.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Tuesday, December 22, 2015 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Offer Shares, which is expected to be on Wednesday, December 23, 2015, 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. Investors who trade Offer Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, December 23, 2015, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, December 23, 2015. The H Shares will be traded in board lots of 1,000 H Shares. The stock code of the H Shares is 06196.

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 authorized officer, who must state his or her 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 Shares in our Bank;
- are a Director or chief executive officer of our Bank;
- are a connected person (as defined in the Listing Rules) of our Bank or will become a connected person of our Bank immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; 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 Friday, December 11, 2015 until 12:00 noon on Wednesday, December 16, 2015 from:

(i) any of the following offices of the Hong Kong Underwriters:

CLSA Limited	18/F, One Pacific Place, 88 Queensway, Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong
CCB International Capital Limited	12/F., CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Orient Securities (Hong Kong) Limited	28-29/F, 100 Queen's Road Central, Central, Hong Kong
Haitong International Securities Company Limited	22/F Li Po Chun Chambers, 189 Des Voeux Rd Central, Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
ICBC International Securities Limited	37/F, ICBC Tower, 3 Garden Road, Hong Kong
Pan Asia Corporate Finance Limited	Unit 1504, 15th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong
Get Nice Securities Limited	10th Floor, Cosco Tower, Grand Millennium Plaza, No.183 Queen's Road Central, Hong Kong

(ii) or any of the following branches of the receiving banks:

(a) **Bank of China (Hong Kong) Limited**

	Branch name	**Address**
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories	Fo Tan Branch	No 2,1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

(b) **Bank of Communications Co., Ltd. Hong Kong Branch**

	Sub-Branch	**Address**
Hong Kong Island	Quarry Bay Sub-Branch	Shops 3 and 4 on G/F., 981A-981F King's Road, Chung Hing Mansion, Quarry Bay
	King's Road Sub-Branch	G/F., Kailey Court, 67-71 King's Road
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Hunghom Sub-Branch	Shop A6, G/F., Whampoa Estate Planet Square, 1-3 Tak Man Street
New Territories	Tuen Mun Sub-Branch	Shops 7-8 on G/F., Castle Peak Lin Won Building, 2-4 Yan Ching Street, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, December 11, 2015 until 12:00 noon on Wednesday, December 16, 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 Zhengzhou 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:

Friday, December 11, 2015 — 9:00 a.m. to 5:00 p.m.
Saturday, December 12, 2015 — 9:00 a.m. to 1:00 p.m.
Monday, December 14, 2015 — 9:00 a.m. to 5:00 p.m.
Tuesday, December 15, 2015 — 9:00 a.m. to 5:00 p.m.
Wednesday, December 16, 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 Wednesday, December 16, 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.

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 authorize 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 Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, 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 International Offer Shares nor participated in the International Offering;

(viii) agree to disclose to our Bank, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, 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, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers 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) authorize 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 fulfill the criteria mentioned in "Personal Collection" section in the Prospectus to collect share certificate(s) and/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 Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO

General

Individuals who meet the criteria in "— 2. 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 authorize 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 Friday, December 11, 2015 until 11:30 a.m. on Wednesday, December 16, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, December 16, 2015 or such later time under "- 10. Effect of Bad Weather on the Opening of the Application 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 for each "Bank of Zhengzhou 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 authorized 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 authorized 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;
- authorize 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 Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, 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 Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, 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 the Bank, for itself and for the benefit of each shareholder of the Bank (and so that the Bank will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each shareholder of the Bank, with each CCASS Participant giving electronic application instructions) to observe and comply with the Company Law, the Special Regulations on Listing Overseas and the Articles of Association of the Bank;
- 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 the application to

have agreed, for itself and on behalf of each of the Shareholders 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 or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Bank to arbitration in accordance with the Articles of Association;

(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 (on our behalf and for the benefit of each of our Shareholders) that H Shares in our Bank are freely transferable by their holders;
- authorize our Bank to enter into a contract on our 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; 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 authorized 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 authorized 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 authorized 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 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:

Friday, December 11, 2015 — 9:00 a.m. to 8:30 p.m.[(1)]
Saturday, December 12, 2015 — 8:00 a.m. to 1:00 p.m.[(1)]
Monday, December 14, 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
Tuesday, December 15, 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
Wednesday, December 16, 2015 — 8:00 a.m.[(1)] **to 12:00 noon**

(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 Friday, December 11, 2015 until 12:00 noon on Wednesday, December 16, 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 Wednesday, December 16, 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 banks, 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 in making your electronic applications. Our Bank, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers 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 Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, December 16, 2015.

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 the **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 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 the Hong Kong Offer 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, 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 Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation".

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 Wednesday, December 16, 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 Wednesday, December 16, 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 headed "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 Tuesday, December 22, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Bank's website at **www.zzbank.cn** and the website of the 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.zzbank.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, December 22, 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 Tuesday, December 22, 2015 to 12:00 midnight on Monday, December 28, 2015;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, December 22, 2015 to Friday, December 25, 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, December 22, 2015 to Thursday, December 24, 2015 at all the receiving banks designated branches.

If we accept your offer to purchase (in whole or in part), which we 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 headed "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 the **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 which 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 dishonored 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, we 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$4.21 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 — The Hong Kong Global Offering" 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 Tuesday, December 22, 2015.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one 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:

- 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 favor 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 share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Tuesday, December 22, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, December 23, 2015 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of share certificates or the 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 share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 22, 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 authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized 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 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 share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, December 22, 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 or more Hong Kong Offer Shares, 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 Tuesday, December 22, 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 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 Tuesday, December 22, 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**

  Our Bank will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by our Bank and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 22, 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 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 22, 2015, or such other date as notified by our Bank in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your 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 Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, December 22, 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 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 Tuesday, December 22, 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 "— 11. Publication of Results" above on Tuesday, December 22, 2015. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 22, 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 Tuesday, December 22, 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 Tuesday, December 22, 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 received from the Bank's independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

December 11, 2015

The Directors
Bank of Zhengzhou Co., Ltd.

CITIC CLSA Capital Markets Limited

BOCOM International (Asia) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Bank of Zhengzhou Co., Ltd. (the "Bank") comprising the statements of financial position of the Bank as at December 31, 2012, 2013 and 2014 and June 30, 2015 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements of the Bank, for each of the years ended December 31, 2012, 2013 and 2014 and the 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 December 11, 2015 (the "Prospectus").

The Bank, formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBOC"). The Bank changed its name to Bank of Zhengzhou Co., Ltd., in October 2009.

The Bank has prepared statutory financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC") (the "PRC GAAP") (the "PRC GAAP Financial Statements"). The PRC GAAP Financial Statements of the Bank for each of the years ended December 31, 2012, 2013 and 2014 were audited by KPMG Huazhen LLP (毕马威华振会计师事务所(特殊普通合伙)).

The directors of the Bank have also prepared the financial statements of the Bank 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 and 2014 and the six months ended June 30, 2015 were audited by KPMG Huazhen LLP (毕马威华振会计师事务所(特殊普通合伙)) 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 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 state of affairs of the Bank as at December 31, 2012, 2013 and 2014 and June 30, 2015 and the Bank'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 Bank comprising the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement 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 the 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 FINANCIAL INFORMATION OF THE BANK

I Statements of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
					(unaudited)	
Interest income		4,774,342	6,811,693	9,601,580	4,376,237	6,106,767
Interest expense		(1,584,452)	(2,709,497)	(4,317,529)	(1,970,519)	(2,822,278)
Net interest income	3	3,189,890	4,102,196	5,284,051	2,405,718	3,284,489
Fee and commission income		75,572	198,047	382,295	148,184	343,892
Fee and commission expense		(13,297)	(35,828)	(34,308)	(9,557)	(11,575)
Net fee and commission income	4	62,275	162,219	347,987	138,627	332,317
Net trading gains/(losses)	5	27,720	(82,343)	(186,412)	44,809	160,633
Net (losses)/gains arising from investments	6	(1,494)	26,755	38,042	(35,009)	25,111
Other operating income	7	299,452	48,154	20,731	6,616	49,089
Operating income		3,577,843	4,256,981	5,504,399	2,560,761	3,851,639
Operating expenses	8	(1,341,552)	(1,385,550)	(1,841,737)	(780,888)	(920,411)
Impairment losses on assets	11	(328,100)	(400,000)	(497,075)	(238,355)	(671,946)
Operating profit		1,908,191	2,471,431	3,165,587	1,541,518	2,259,282
Share of profits of associates	21	14,612	36,060	37,348	16,863	23,965
Profit before taxation		1,922,803	2,507,491	3,202,935	1,558,381	2,283,247
Income tax expense	12	(462,503)	(605,641)	(739,852)	(354,340)	(532,591)
Profit for the year/period		1,460,300	1,901,850	2,463,083	1,204,041	1,750,656

A FINANCIAL INFORMATION OF THE BANK (CONTINUED)

I Statements of profit or loss and other comprehensive income (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

		Year ended December 31,			Six months ended June 30,	
	Note	2012	2013	2014	2014	2015
					(unaudited)	
Profit for the year/period		1,460,300	1,901,850	2,463,083	1,204,041	1,750,656
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
- Available-for-sale financial assets：net movement in the investment revaluation reserve	32(4)	9,217	(37,711)	7,319	4,185	2,214
Items that will not be reclassified subsequently to profit or loss						
- Remeasurement of net defined benefit liability	32(5)	(8,553)	978	(10,000)	(961)	(3,075)
Other comprehensive income net of tax		664	(36,733)	(2,681)	3,224	(861)
Total comprehensive income		1,460,964	1,865,117	2,460,402	1,207,265	1,749,795
Basic and diluted earnings per share (in RMB)	13	0.37	0.48	0.62	0.31	0.44

A FINANCIAL INFORMATION OF THE BANK (CONTINUED)

II Statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	December 31, 2012	December 31, 2013	December 31, 2014	June 30, 2015
Assets					
Cash and deposits with central bank	14	18,435,841	22,980,122	33,854,830	32,693,771
Deposits with banks and other financial institutions	15	2,084,506	6,196,052	1,835,245	3,245,173
Placements with banks and other financial institutions	16	—	886,000	—	1,861,950
Financial assets at fair value through profit or loss	17	6,704,531	7,990,374	10,967,367	15,166,847
Financial assets held under resale agreements	18	2,181,318	7,267,355	6,575,523	8,673,748
Loans and advances to customers	19	49,153,253	61,535,982	76,226,190	84,075,455
Financial investments:					
Available-for-sale financial assets	20	2,914,476	596,480	3,965,181	1,967,911
Held-to-maturity investments	20	7,097,535	16,730,401	22,064,640	21,615,451
Loans and receivables	20	13,173,303	22,411,503	45,502,357	52,055,389
Interest in associates	21	83,101	119,161	146,108	170,073
Property and equipment	22	738,527	926,061	1,158,572	1,213,931
Deferred tax assets	23	166,597	251,322	338,175	458,809
Other assets	24	1,001,025	1,443,471	1,655,021	2,213,508
Total assets		103,734,013	149,334,284	204,289,209	225,412,016
Liabilities					
Amounts due to central bank		—	175,010	—	—
Deposits from banks and other financial institutions	25	7,927,810	14,212,739	32,187,313	29,923,257
Placements from banks and other financial institutions	26	200,000	2,000,000	1,003,095	1,861,350
Financial assets sold under repurchase agreements	27	11,328,308	13,490,141	15,782,600	12,022,677
Deposits from customers	28	74,654,469	102,096,803	132,561,375	146,162,618
Tax payable		138,359	302,663	260,068	431,322
Debt securities issued	29	690,000	5,690,000	8,503,833	18,584,732
Other liabilities	30	1,123,718	1,830,462	2,585,347	3,980,235
Total liabilities		96,062,664	139,797,818	192,883,631	212,966,191
Equity					
Share capital	31	3,941,932	3,941,932	3,941,932	3,941,932
Capital reserve	32	100,327	100,327	100,327	100,327
Surplus reserve	32	465,592	655,777	902,085	902,085
General reserve	32	1,033,200	1,623,200	2,313,200	2,313,200
Investment revaluation reserve	32	32,828	(4,883)	2,436	4,650
Deficit on remeasurement of net defined benefit liability	32	(18,550)	(17,572)	(27,572)	(30,647)
Retained earnings		2,116,020	3,237,685	4,173,170	5,214,278
Total equity		7,671,349	9,536,466	11,405,578	12,445,825
Total liabilities and equity		103,734,013	149,334,284	204,289,209	225,412,016

A FINANCIAL INFORMATION OF THE BANK (CONTINUED)

III Statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at January 1, 2012	3,941,932	100,327	319,562	553,200	23,611	(9,997)	1,281,750	6,210,385
Profit for the year	—	—	—	—	—	—	1,460,300	1,460,300
Other comprehensive income	—	—	—	—	9,217	(8,553)	—	664
Total comprehensive income	—	—	—	—	9,217	(8,553)	1,460,300	1,460,964
Appropriation of profit:								
- Appropriation to surplus reserve	—	—	146,030	—	—	—	(146,030)	—
- Appropriation to general reserve	—	—	—	480,000	—	—	(480,000)	—
Sub-total	—	—	146,030	480,000	—	—	(626,030)	—
Balance at December 31, 2012	3,941,932	100,327	465,592	1,033,200	32,828	(18,550)	2,116,020	7,671,349
Balance at January 1, 2013	3,941,932	100,327	465,592	1,033,200	32,828	(18,550)	2,116,020	7,671,349
Profit for the year	—	—	—	—	—	—	1,901,850	1,901,850
Other comprehensive income	—	—	—	—	(37,711)	978	—	(36,733)
Total comprehensive income	—	—	—	—	(37,711)	978	1,901,850	1,865,117
Appropriation of profit:								
- Appropriation to surplus reserve	—	—	190,185	—	—	—	(190,185)	—
- Appropriation to general reserve	—	—	—	590,000	—	—	(590,000)	—
Sub-total	—	—	190,185	590,000	—	—	(780,185)	—
Balance at December 31, 2013	3,941,932	100,327	655,777	1,623,200	(4,883)	(17,572)	3,237,685	9,536,466

A FINANCIAL INFORMATION OF THE BANK (CONTINUED)

III Statements of changes in equity (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at January 1, 2014		3,941,932	100,327	655,777	1,623,200	(4,883)	(17,572)	3,237,685	9,536,466
Profit for the year		—	—	—	—	—	—	2,463,083	2,463,083
Other comprehensive income		—	—	—	—	7,319	(10,000)	—	(2,681)
Total comprehensive income		—	—	—	—	7,319	(10,000)	2,463,083	2,460,402
Appropriation of profit:									
- Appropriation to surplus reserve		—	—	246,308	—	—	—	(246,308)	—
- Appropriation to general reserve		—	—	—	690,000	—	—	(690,000)	—
- Cash dividends	33	—	—	—	—	—	—	(591,290)	(591,290)
Sub-total		—	—	246,308	690,000	—	—	(1,527,598)	(591,290)
Balance at December 31, 2014		3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578
Balance at January 1, 2014		3,941,932	100,327	655,777	1,623,200	(4,883)	(17,572)	3,237,685	9,536,466
Profit for the period		—	—	—	—	—	—	1,204,041	1,204,041
Other comprehensive income		—	—	—	—	4,185	(961)	—	3,224
Total comprehensive income		—	—	—	—	4,185	(961)	1,204,041	1,207,265
Appropriation of profit:									
- Cash dividends	33	—	—	—	—	—	—	(591,290)	(591,290)
Sub-total		—	—	—	—	—	—	(591,290)	(591,290)
Balance at June 30, 2014 (Unaudited)		3,941,932	100,327	655,777	1,623,200	(698)	(18,533)	3,850,436	10,152,441
Balance at January 1, 2015		3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578
Profit for the period		—	—	—	—	—	—	1,750,656	1,750,656
Other comprehensive income		—	—	—	—	2,214	(3,075)	—	(861)
Total comprehensive income		—	—	—	—	2,214	(3,075)	1,750,656	1,749,795
Appropriation of profit:									
- Cash dividends	33	—	—	—	—	—	—	(709,548)	(709,548)
Sub-total		—	—	—	—	—	—	(709,548)	(709,548)
Balance at June 30, 2015		3,941,932	100,327	902,085	2,313,200	4,650	(30,647)	5,214,278	12,445,825

A FINANCIAL INFORMATION OF THE BANK (CONTINUED)

IV Cash flow statements

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Cash flows from operating activities					
Profit before tax	1,922,803	2,507,491	3,202,935	1,558,381	2,283,247
Adjustments for:					
Impairment losses on assets	328,100	400,000	497,075	238,355	671,946
Depreciation and amortisation	66,953	83,613	116,897	51,408	72,012
Unwinding of discount	—	—	(17,075)	(10,979)	(23,637)
Unrealised foreign exchange (gains)/losses	—	—	(2,386)	13	(336)
Net losses/(gains) on disposal of long-term assets	976	(3,672)	3,026	1,456	(38,835)
Net trading (gains)/losses of financial assets at fair value through profit or loss	(27,720)	82,343	188,849	(44,777)	(160,049)
Net losses/(gains) arising from investments	1,494	(26,755)	(38,042)	35,009	(25,111)
Share of profits of associates	(14,612)	(36,060)	(37,348)	(16,863)	(23,965)
Interest expense on debt securities issued	44,850	189,594	288,815	139,786	245,728
Interest income on financial investments	(1,358,785)	(1,816,074)	(3,552,121)	(1,451,551)	(2,477,439)
	964,059	1,380,480	650,625	500,238	523,561
Changes in operating assets					
Net (increase)/decrease in deposits with central bank	(3,729,634)	(4,292,504)	(6,377,805)	(1,887,276)	355,872
Net (increase)/decrease in deposits and placements with banks and other financial institutions	(1,049,000)	(3,985,001)	3,369,501	1,806,753	(2,131,954)
Net (increase)/decrease in financial assets at fair value through profit or loss	(2,545,520)	(1,307,728)	(2,979,745)	3,883,256	(4,199,480)
Net increase in loans and advances to customers	(12,753,974)	(12,789,534)	(15,038,437)	(7,103,240)	(8,426,951)
Net (increase)/decrease in financial assets held under resale agreements	(2,181,318)	(5,086,037)	691,832	(2,442,837)	(2,098,225)
Net (increase)/decrease in other operating assets	(6,897)	(114,771)	(275,932)	59,535	(143,345)
	(22,266,343)	(27,575,575)	(20,610,586)	(5,683,809)	(16,644,083)

A FINANCIAL INFORMATION OF THE BANK (CONTINUED)

IV Cash flow statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Changes in operating liabilities					
Net increase/(decrease) in amounts due to the central bank	—	175,010	(175,010)	(175,010)	—
Net increase/(decrease) in deposits and placements from banks and other financial institutions	6,516,578	8,084,929	16,977,669	4,454,324	(1,405,801)
Net increase/(decrease) in financial assets sold under repurchase agreements	5,533,308	2,161,833	2,292,459	(827,541)	(3,759,923)
Net increase in deposits from customers	19,678,041	27,442,334	30,464,572	13,894,520	13,601,243
Income tax paid	(486,784)	(531,168)	(893,444)	(396,275)	(497,726)
Net (decrease)/increase in other operating liabilities	(355,315)	580,328	740,943	461,825	1,461,939
Sub-toal	30,885,828	37,913,266	49,407,189	17,411,843	9,399,732
Net cash flows generated from/(used in) operating activities	9,583,544	11,718,171	29,447,228	12,228,272	(6,720,790)
Cash flows from investing activities					
Proceeds from disposal and redemption of investments	5,876,670	11,041,497	60,025,223	17,748,040	54,389,172
Proceeds from disposal of property and equipment and other assets	1,945	99,460	64,505	(596)	30,588
Payments on acquisition of investments	(12,925,566)	(27,724,980)	(91,969,724)	(30,405,913)	(58,463,029)
Dividends and interest received	1,317,216	1,732,074	3,328,392	1,339,109	2,387,104
Payments on acquisition of property and equipment, and other assets	(395,417)	(507,050)	(379,888)	(121,840)	(363,472)
Net cash flows used in investing activities	(6,125,152)	(15,358,999)	(28,931,492)	(11,441,200)	(2,019,637)

A FINANCIAL INFORMATION OF THE BANK (CONTINUED)

IV Cash flow statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
					(unaudited)	
Cash flows from financing activities						
Proceeds received from debt securities issued		—	5,000,000	3,500,000	—	11,544,713
Repayment of debt securities		—	—	(690,000)	—	(1,500,000)
Interest paid on debt securities issued		(44,850)	(44,850)	(279,570)	(234,720)	(269,603)
Dividends paid		(1)	—	(578,955)	(440,073)	(700,282)
Net cash flows (used in)/ generated from financing activities		(44,851)	4,955,150	1,951,475	(674,793)	9,074,828
Net increase in cash and cash equivalents		3,413,541	1,314,322	2,467,211	112,279	334,401
Cash and cash equivalents as at January 1		2,892,002	6,305,543	7,619,865	7,619,865	10,089,462
Effect of foreign exchange rate changes on cash and cash equivalents		—	—	2,386	(13)	336
Cash and cash equivalents as at December 31/June 30	34	6,305,543	7,619,865	10,089,462	7,732,131	10,424,199
Net cash flows generated from operating activities include:						
Interest received		3,374,753	4,996,550	6,418,549	2,998,070	3,478,754
Interest paid		(1,198,944)	(2,142,300)	(3,925,658)	(1,579,802)	(2,401,489)

B NOTES TO FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of PBOC of the PRC in accordance with the notice of JiyinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province.

The Bank obtained its financial institution license No. B1036H241010001 from the China Banking Regulatory Commission (the "CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the PRC. The Bank is regulated by the CBRC authorized by the State Council.

The principal activities of the Bank includes taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting bills; issuing financial bonds; acting as the issuing agent, cashing agent and the underwriting of government bonds; trading government bonds; engaging in interbank borrowings; offering guarantees; providing safe-deposit box service; collecting and making payments as agent and acting as insurance agent; accepting entrusted loans and other businesses approved by the banking regulatory authorities under the State Council.

By June 30, 2015, the Bank has established the head office in Zhengzhou, and six branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang and Shangqiu, and 101 sub-branches within Henan Province. The Bank operates in Henan Province of the PRC.

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 International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards 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.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(1) Statement of compliance and basis of preparation (continued)

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Bank has adopted all applicable new and revised IFRSs in issue which are relevant to the Bank 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 are set out below:

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRS 14, *Regulatory deferral accounts*	January 1, 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	January 1, 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	January 1, 2016
Amendments to IAS 27, *Equity method in separate financial statements*	January 1, 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	January 1, 2016
Amendments to IFRS 10, IFRS 12, and IAS 28, *Investment entities: Applying the consolidation exception*	January 1, 2016
Amendments to IAS 1, *Disclosure initiative*	January 1, 2016
IFRS 15, *Revenue from contracts with customers*	January 1, 2018
IFRS 9, *Financial Instruments (2014)*	January 1, 2018

The Bank is in the process of assessing the impact of the 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 followings:

IFRS 9 Financial Instruments

IFRS 9, published in July 2014 and effective for annual periods beginning on or after 1 January 2018, will replace the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(1) Statement of compliance and basis of preparation (continued)

The Bank is in the process of assessing the potential impact resulting from the application of IFRS 9. Given the nature of the Bank's operations, the standard is expected to have a material impact on the Bank's Financial Information.

IFRS 9 will change the way the Bank classifies and measures its financial assets. IAS 39 measurement categories 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables' and 'available-for-sale financial assets' will be replaced by three main categories in IFRS 9, which are 'amortised cost', 'fair value through other comprehensive income' and 'fair value through profit or loss'. The approach for classifying financial assets will also change. Under IAS 39 the characteristics of financial assets are analysed for any embedded derivatives and whether those have to be separated from the host contract (bifurcation of hybrid instruments). IFRS 9 uses a different approach that does not involve the bifurcation of financial assets. Instead, financial assets are classified in their entirety into a measurement category. This classification of financial assets under IFRS 9 will require the Bank to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement.

For financial assets that will be classified as 'amortised cost' or 'fair value through other comprehensive income', the Bank will be required to apply an expected loss impairment model that will apply to both those measurement categories as well as other exposures to credit risk such as some loan commitments and some financial guarantees. This impairment model will replace the different impairment models in IAS 39 (the incurred loss impairment model and the impairment model for available-for-sale financial assets) as well as the requirements in IAS 37 that related to some types of credit risk exposures (such as some loan commitments and some financial guarantees). The main differences between the new expected loss impairment model compared to the incurred loss model in IAS 39 are that the expected credit loss model uses more forward-looking information and that it does not involve a threshold until which credit losses remain unrecognised. Consequently, financial assets in the scope of the new impairment model will require a loss allowance to be recognised throughout their lives and the relative change of credit risk since initial recognition of the financial asset drives whether that loss allowance is equal to 12-month expected credit losses or lifetime expected credit losses. Lifetime expected credit losses represent all credit losses over the remaining life of a financial asset on a probability-weighted basis. 12-month expected credit losses are a subset of the lifetime expected credit losses and represent the losses expected to arise from default events within the next 12 months after the reporting date.

It is not practicable to provide a reasonable estimate of the effect or quantify the impact on its operating results and financial position until the Bank makes a detailed assessment as the adoption of the new standard requires changes to systems and processes to collect necessary data.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(1) Statement of compliance and basis of preparation (continued)

The accounting polices set out below have been consistently applied in preparing the Financial Information for the Relevant Periods. The Corresponding Interim Financial Information for the period ended 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 is presented in Renminbi (RMB), rounded to the nearest thousands, which is the functional currency of the Bank.

The preparation of the Financial Information in conformity with IFRS requires management to make judgments, 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 of making the judgments about the carrying amounts 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRSs that have a significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 2(21).

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(4).

(2) Translation of foreign currencies

When the Bank receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at 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 ruling at the transaction dates.

A spot exchange rate is quoted by 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.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(2) Translation of foreign currencies (continued)

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of each of the Relevant Periods. The resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates ruling at the dates the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognised in investment revaluation reserve.

(3) 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, 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.

(4) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognised in the statements of financial position when the Bank becomes a party to the contractual provisions of a financial instrument.

The Bank 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 categorised as follows:

- Financial assets and financial liabilities at fair value through profit or loss.

  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, it is managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(4) Financial instruments (continued)

(i) Recognition and measurement of financial assets and liabilities (continued)

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 recognised 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 Bank has the positive intention and ability to hold to maturity, other than

(a) those that the Bank, upon initial recognition, designates as 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 amortised cost using the effective interest method.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(4) Financial instruments (continued)

(i) Recognition and measurement of financial assets and liabilities (continued)

- Loans and receivables

Loans and receivables are non-derivative financial assets held by the Bank with fixed or determinable recoverable amounts that are not quoted in an active market, other than

(a) those that the Bank intends to sell immediately or in the near-term, which will be classified as held for trading;

(b) those that the Bank, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or

(c) those where the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Subsequent to initial recognition, loans and receivables are stated at amortised 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 recognised directly in other comprehensive income. Investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to 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 amortised cost using the effective interest method.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(4) Financial instruments (continued)

(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 Bank 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 recognised in profit or loss. Objective evidence of impairment in a 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 reorganisation;

— disappearance of an active market for financial assets because of significant 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 Bank 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 recognised in profit or loss.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(4) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

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 collateralised 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 and receivables not considered individually significant

For homogeneous groups of loans and receivables that are not considered individually significant, the Bank adopts a flow rate methodology to collectively assess impairment losses. This methodology utilises 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 and receivables with no objective evidence of impairment on an individual basis

Loans and receivables 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

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(4) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

assessing a collective impairment loss. This assessment covers those loans and receivables that were impaired at the end of each of the Relevant Periods but which will not be individually identified as such until some time 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 judgement 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 Bank 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 recognised are not included in a collective assessment for impairment.

The Bank 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 recognised, 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 amortised cost at the date of the reversal had the impairment not been recognised.

When the Bank determines that a loan or receivable has no reasonable prospect of recovery after the Bank has completed all the necessary legal or other claim proceedings, the loan or receivable is written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loan written off is recovered, the amount recovered is recognised in profit or loss through impairment losses.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(4) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

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 Bank 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 recognised 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 recognised, 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 amortised cost at the date of the reversal had the impairment not been recognised.

- 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 recognised in other comprehensive income is reclassified to profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, after an impairment loss has been recognised 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 recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an equity instrument classified as available-for-sale is not reversed through profit or loss but recognised directly in other comprehensive income.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(4) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

For investments in equity instruments carried 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 recognised 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.

When measuring fair value, the Bank takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(iv) Derecognition of financial assets and financial liabilities

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities sale and repurchase transactions.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(4) Financial instruments (continued)

(iv) Derecognition of financial assets and financial liabilities (continued)

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(5) Financial assets held under resale and sold under 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 amortised 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 amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(6) Associates

An associate is an entity in which the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(6) Associates (continued)

An investment in an associate is accounted for in the financial statements of the Bank under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Bank's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Bank's share of the investee's net assets and any impairment loss relating to the investment (Note 2(11)). Any acquisition-date excess over cost, the Bank's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in profit or loss, whereas the Bank's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Bank. The Bank's interest in associate is included in the financial statements from the date that significant influence commences until the date that significant influence ends.

When the Bank's share of losses exceeds its interest in the associate, the Bank's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Bank's interest is the carrying amount of the investment under the equity method together with the Bank's long-term interests that in substance form part of the Bank's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Bank and its associate are eliminated to the extent of the Bank's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Bank ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(4)).

(7) Property and equipment

Property and equipment are assets held by the Bank for operation and administration purposes with useful lives over one year.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(7) Property and equipment (continued)

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(11)). Construction in progress ("CIP") is stated in the statements of financial position at cost less impairment loss (Note 2(11)).

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. 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 Bank in different patterns, each part is depreciated separately.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised 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 recognised 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 rates and depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value rate	Depreciation rate
Premises	20-50 years	5%	1.90%-4.75%
Electronic equipments	5 years	5%	19.00%
Vehicles	5 years	5%	19.00%
Office equipments and others	5-10 years	5%	9.50%-19.00%

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(8) Lease

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Bank determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Bank

Leases which do not transfer substantially all the risks and rewards of ownership to the Bank are classified as operating leases.

(ii) Operating lease charges

Lease payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent lease payments are recognised as expenses in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(9) Intangible assets

The intangible assets of the Bank have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(11)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Land use rights	30-50 years
Softwares	5-10 years

(10) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying amount 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.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(11) 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

— pre-paid interest in leasehold land classified as being held under an operating lease

— intangible assets

— investment in associates

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A Cash-Generating Unit (the "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 Bank also considers how management monitors the Bank's operations and how management makes decisions about continuing or disposing of the Bank's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the greater of its fair value less costs of disposal and value in use. 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 Bank determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs of disposal 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 value in use 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 current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised 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 recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated to reduce the carrying

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(11) Provision for impairment losses on non-financial assets (continued)

amount of the assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

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 recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(12) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Bank include the social pension schemes and an annuity plan.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Bank has participated in the social pension schemes for employees arranged by local government labor and security authorities. The Bank makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Bank provides an annuity plan to the eligible employees. The Bank makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(12) Employee benefits (continued)

(i) Short term employee benefits and contributions to defined contribution retirement plans (continued)

Housing fund and other social insurances

In addition to the retirement benefits above, the Bank has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Bank makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

(ii) Supplementary retirement benefits

Early retirement plan

The Bank provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Bank provides a supplementary retirement plan to its eligible employees. The Bank's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Bank is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(13) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

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 realise 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 recognised 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 recognised 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 recognised is measured based on the expected manner of realisation 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 realised 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 utilised. 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 set off current tax assets against current tax liabilities; and

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(13) Income tax (continued)

— they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(14) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (the "guarantor") to make specified payments to reimburse the beneficiary of the guarantee (the "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 recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statements of financial position in accordance with Note 2(14)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Bank under the guarantee, and the amount of that claim on the Bank is expected to exceed the carrying amount of the deferred income.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Bank 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 stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(15) Fiduciary activities

The Bank acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Bank 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.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(15) Fiduciary activities (continued)

The Bank enters into entrusted loan agreements with customers, whereby the customers provide funding (the "entrusted funds") to the Bank, and the Bank grants loans to third parties (the "entrusted loans") under instructions of the customers. As the Bank 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.

(16) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Bank'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 recognised in profit or loss when it is probable that the economic benefits will flow to the Bank, the income and costs can be measured reliably and the following respective conditions are met:

(i) Interest income

Interest income for financial assets is recognised 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 amortisation 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 amortised 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 carrying amount of the financial asset. When calculating the effective interest rate, the Bank 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 recognised 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 recognised in profit or loss when the corresponding service is provided.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(16) Income recognition (continued)

(ii) Fee and commission income (continued)

Origination or commitment fees received by the Bank which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without making a loan, the fee is recognised as fee and commission income upon its expiry.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Bank will comply with the conditions attaching to them. Grants that compensate the Bank for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iv) Other income

Other income is recognised on an accrual basis.

(17) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(18) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of each of the Relevant Periods are not recognised as a liability at the end of each of the Relevant Periods but disclosed separately in the notes to the Financial Information.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(19) Related parties

(a) A person, or a close member of that person's family, is related to the Bank if that person:

(i) has control or joint control over the Bank;

(ii) has significant influence over the Bank; or

(iii) is a member of the key management personnel of the Bank's parent.

(b) An entity is related to the Bank if any of the following conditions applies:

(i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(20) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Bank's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Bank's management to make decisions about resources to be allocated to the segment and assess its performance. 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 services, the type or class

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(20) Segment reporting (continued)

of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

(21) Significant accounting estimates and judgements

The preparation of the 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 recognised in the period in which the estimate is revised and in any future periods affected.

(i) Provision for impairment losses on loans and advances to customers and financial investments (available-for-sale financial assets, held-to-maturity investments and financial investments classified as loans and receivables)

The Bank reviews portfolios of loans and advances to customers and financial investments periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for loans and advances to customers and financial investments. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for loans and advances to customers, and debt investments that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

The objective evidence of impairment for an available-for-sale equity investment includes significant or prolonged decline in its fair value below its cost. When deciding whether there is significant or prolonged decline in fair value, the Bank will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(21) Significant accounting estimates and judgements (continued)

(ii) 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 Bank make maximum use of market input and rely as little as possible on the Bank'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 Bank reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(iii) Classification of 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 Bank 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 Bank's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Bank 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 recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, 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 recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(21) Significant accounting estimates and judgements (continued)

(v) 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) cannot be obtained reliably, the fair value of the asset cannot 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 discount 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.

(vi) Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised 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 amortisation costs charged in each of the Relevant Periods. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(vii) Determination of control over investees

Management applies its judgement to determine whether the Bank is acting as agent or principal in relation to the structured entities in which the Bank acts as an asset manager. In accessing whether the Bank is acting as agent, the Bank considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Net interest income

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Interest income arising from					
Deposits with central bank	188,932	256,197	328,626	151,365	195,528
Deposits and placements with banks and other financial institutions	21,120	164,854	235,427	149,579	66,680
Loans and advances to customers					
- Corporate loans and advances	2,131,931	2,808,493	3,416,897	1,657,006	2,013,802
- Personal loans and advances	739,360	851,281	1,352,805	611,129	816,051
- Discounted bills	305,172	319,028	301,819	145,515	134,039
Financial assets held under resale agreements	29,042	76,878	182,915	72,105	80,399
Financial investments	1,358,785	2,334,962	3,783,091	1,589,538	2,800,268
Sub-total	4,774,342	6,811,693	9,601,580	4,376,237	6,106,767
Interest expense arising from					
Amounts due to central bank	(1,806)	(6,046)	(2,881)	(2,570)	—
Deposits and placements from banks and other financial institutions	(213,079)	(541,861)	(1,121,799)	(498,544)	(860,373)
Deposits from customers	(1,069,859)	(1,652,709)	(2,549,894)	(1,118,627)	(1,519,725)
Financial assets sold under repurchase agreements	(254,858)	(319,287)	(354,140)	(210,992)	(196,452)
Debt securities issued	(44,850)	(189,594)	(288,815)	(139,786)	(245,728)
Sub-total	(1,584,452)	(2,709,497)	(4,317,529)	(1,970,519)	(2,822,278)
Net interest income	3,189,890	4,102,196	5,284,051	2,405,718	3,284,489
Of which:					
Interest income arising from impaired financial assets identified	—	—	17,075	10,979	23,637

Notes:

(i) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.

(ii) Total interest income arising from financial assets that are not at fair value through profit or loss for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2014 and 2015 amounted to RMB4,593 million, RMB6,293 million, RMB9,371 million, RMB4,238 million and RMB5,784 million, respectively.

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2014 and 2015 amounted to RMB1,584 million, RMB2,709 million, RMB4,318 million, RMB1,971 million and RMB2,822 million, respectively.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Net fee and commission income

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Fee and commission income					
Agency and custody services fees	29,636	88,521	172,711	62,933	151,129
Acceptance and guarantee services fees	13,423	49,415	133,111	47,509	69,261
Underwriting and advisory fees	9,218	32,972	43,854	24,281	100,381
Bank card services fees	19,316	22,356	24,784	11,603	14,899
Settlement and clearing services fees	3,652	3,544	3,822	1,682	2,954
Others	327	1,239	4,013	176	5,268
Sub-total	75,572	198,047	382,295	148,184	343,892
Fee and commission expense	(13,297)	(35,828)	(34,308)	(9,557)	(11,575)
Net fee and commission income	62,275	162,219	347,987	138,627	332,317

5 Net trading gains/(losses)

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Net gains/(losses) from debt securities	27,720	(82,343)	(188,849)	44,777	160,049
Net foreign exchange gains	—	—	2,437	32	584
Total	27,720	(82,343)	(186,412)	44,809	160,633

Net gains/(losses) from debt securities include gains/(losses) arising from the buying and selling of, and changes in the fair value of financial assets held for trading.

Net foreign exchange gains mainly include gains from purchase and sale of foreign currency spot, and translation of foreign currency monetary assets and liabilities into Renminbi.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

6 Net (losses)/gains arising from investments

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Dividends from available-for-sale equity investments	280	320	360	—	—
Net (losses)/gains on disposal of available-for-sale financial assets	(1,774)	26,435	40,877	(31,814)	25,111
Net losses on disposal of held-to-maturity investments	—	—	(3,195)	(3,195)	—
Total	(1,494)	26,755	38,042	(35,009)	25,111

7 Other operating income

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Rental income	10,729	9,747	12,004	3,978	4,345
Government grants	250,363	5,732	5,159	2,416	4,621
Net (losses)/gains on disposal of property and equipment	(976)	3,672	(3,026)	(1,456)	38,835
Others	39,336	29,003	6,594	1,678	1,288
Total	299,452	48,154	20,731	6,616	49,089

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

8 Operating expenses

	Note	Year ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
					(unaudited)	
Staff costs						
- Salaries, bonuses and allowances		236,956	319,271	481,917	240,411	270,437
- Social insurance and annuity		50,139	80,400	104,625	43,788	54,259
- Supplementary retirement benefits		62,866	46,109	37,184	9,734	2,890
- Staff welfares		38,992	73,158	94,223	20,879	29,850
- Housing allowance		17,544	22,236	28,892	12,406	16,089
- Others		16,372	23,338	28,290	12,072	8,365
Subtotal		422,869	564,512	775,131	339,290	381,890
Depreciation and amortisation		66,953	83,613	116,897	51,408	72,012
Rental and property management expenses		63,880	89,365	100,846	44,951	59,023
Office expenses		52,966	56,784	83,891	30,891	27,993
Business tax and surcharges		164,849	233,541	316,085	152,375	210,396
Other general and administrative expenses	(i)	570,035	357,735	448,887	161,973	169,097
Total		1,341,552	1,385,550	1,841,737	780,888	920,411

Note:

(i) Auditors' remunerations were RMB1.39 million, RMB1.44 million, RMB1.50 million for the years ended December 31, 2012, 2013 and 2014 respectively, and nil for the six months ended June 30, 2015.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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:

		Year ended December 31, 2012						
Name	**Note**	**Fees**	**Salaries**	**Discretionary bonus**	**Contribution by the employer to social insurance and welfare plans, housing allowance, etc.**	**Total emoluments before tax**	**Of which payment deferred**	**Actual amount of remuneration paid (pre-tax)**
Executive directors	(i)							
Wang Tianyu		—	529	985	57	1,571	957	614
Shen Xueqing		—	503	936	39	1,478	909	569
Zhang Rongshun		—	477	886	56	1,419	862	557
Qiao Jun'an		—	459	853	54	1,366	838	528
Non-executive directors	(i)							
Liu Rui		—	—	—	—	—	—	—
Xu Jianxin		28	—	—	—	28	—	28
Zhang Jingguo		28	—	—	—	28	—	28
Liang Songwei		—	—	—	—	—	—	—
Li Dongming		28	—	—	—	28	—	28
Ji Hongjun		—	—	—	—	—	—	—
Zhu Zhihui		28	—	—	—	28	—	28
Ma Lei		28	—	—	—	28	—	28
Independent non-executive directors	(i)							
Wang Zhenmin		138	—	—	—	138	—	138
Wei Xin		138	—	—	—	138	—	138
Wang Shihao		138	—	—	—	138	—	138
Supervisors	(i)							
Fan Dalu		—	477	886	54	1,417	862	555
Tang Yunwei		106	—	—	—	106	—	106
Liu Yuhui		114	—	—	—	114	—	114
Meng Jun		28	—	—	—	28	—	28
Zhu Donghui		28	—	—	—	28	—	28
Duan Ping		—	127	92	46	265	—	265
Zhang Chunge		—	35	224	49	308	—	308
Total		**830**	**2,607**	**4,862**	**355**	**8,654**	**4,428**	**4,226**

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Directors' and supervisors' emoluments (continued)

		Year ended December 31, 2013						
Name	Note	Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax	Of which payment deferred	Actual amount of remuneration paid (pre-tax)
Executive directors								
Wang Tianyu		—	612	1,352	155	2,119	920	1,199
Shen Xueqing		—	581	1,284	99	1,964	873	1,091
Zhang Rongshun		—	550	1,217	149	1,916	827	1,089
Qiao Jun'an		—	530	1,172	135	1,837	796	1,041
Non-executive directors								
Liu Rui		—	—	—	—	—	—	—
Xu Jianxin		30	—	—	—	30	—	30
Zhang Jingguo		30	—	—	—	30	—	30
Liang Songwei		—	—	—	—	—	—	—
Ji Hongjun		—	—	—	—	—	—	—
Zhu Zhihui		30	—	—	—	30	—	30
Ma Lei		30	—	—	—	30	—	30
Independent non-executive directors								
Wang Zhenmin		150	—	—	—	150	—	150
Wei Xin		150	—	—	—	150	—	150
Wang Shihao		150	—	—	—	150	—	150
Supervisors								
Fan Dalu		—	550	1,190	139	1,879	800	1,079
Tang Yunwei		120	—	—	—	120	—	120
Liu Yuhui		120	—	—	—	120	—	120
Meng Jun		30	—	—	—	30	—	30
Zhu Donghui		30	—	—	—	30	—	30
Duan Ping		—	129	181	58	368	—	368
Zhang Chunge		—	21	289	69	379	—	379
Former non-executive director								
Li Dongming	(ii)	13	—	—	—	13	—	13
Total		**883**	**2,973**	**6,685**	**804**	**11,345**	**4,216**	**7,129**

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Directors' and supervisors' emoluments (continued)

		Year ended December 31, 2014						
Name	Note	Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax	Of which payment deferred	Actual amount of remuneration paid (pre-tax)
Executive directors								
Wang Tianyu		—	701	1,352	173	2,226	762	1,464
Shen Xueqing		—	666	1,284	156	2,106	723	1,383
Zhang Rongshun		—	631	1,217	161	2,009	685	1,324
Qiao Jun'an		—	578	1,115	141	1,834	627	1,207
Non-executive directors								
Liu Rui		—	—	—	—	—	—	—
Xu Jianxin		30	—	—	—	30	—	30
Zhang Jingguo		30	—	—	—	30	—	30
Liang Songwei		—	—	—	—	—	—	—
Ji Hongjun		—	—	—	—	—	—	—
Zhu Zhihui		30	—	—	—	30	—	30
Ma Lei		13	—	—	—	13	—	13
Independent non-executive directors								
Wang Zhenmin		150	—	—	—	150	—	150
Wei Xin		150	—	—	—	150	—	150
Wang Shihao		150	—	—	—	150	—	150
Supervisors								
Fan Dalu		—	631	1,217	159	2,007	686	1,321
Tang Yunwei		120	—	—	—	120	—	120
Liu Yuhui		120	—	—	—	120	—	120
Meng Jun		30	—	—	—	30	—	30
Duan Ping		—	192	214	84	490	—	490
Zhang Chunge		—	44	303	88	435	—	435
Former supervisor								
Zhu Donghui	(iii)	5	—	—	—	5	—	5
Total		**828**	**3,443**	**6,702**	**962**	**11,935**	**3,483**	**8,452**

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Directors' and supervisors' emoluments (continued)

		Six months ended June 30, 2014 (unaudited)						
Name	Note	Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax	Of which payment deferred	Actual amount of remuneration paid (pre-tax)
Executive directors								
Wang Tianyu		—	350	676	77	1,103	380	723
Shen Xueqing		—	333	642	70	1,045	362	683
Zhang Rongshun		—	315	608	72	995	341	654
Qiao Jun'an		—	315	608	70	993	289	704
Non-executive directors								
Liu Rui		—	—	—	—	—	—	—
Xu Jianxin		15	—	—	—	15	—	15
Zhang Jingguo		15	—	—	—	15	—	15
Liang Songwei		—	—	—	—	—	—	—
Ji Hongjun		—	—	—	—	—	—	—
Zhu Zhihui		15	—	—	—	15	—	15
Ma Lei		13	—	—	—	13	—	13
Independent non-executive directors								
Wang Zhenmin		75	—	—	—	75	—	75
Wei Xin		75	—	—	—	75	—	75
Wang Shihao		75	—	—	—	75	—	75
Supervisors								
Fan Dalu		—	315	608	70	993	341	652
Tang Yunwei		60	—	—	—	60	—	60
Liu Yuhui		60	—	—	—	60	—	60
Meng Jun		15	—	—	—	15	—	15
Duan Ping		—	96	107	40	243	—	243
Zhang Chunge		—	22	151	42	215	—	215
Former supervisor								
Zhu Donghui	(iii)	5	—	—	—	5	—	5
Total		**423**	**1,746**	**3,400**	**441**	**6,010**	**1,713**	**4,297**

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Directors' and supervisors' emoluments (continued)

		Six months ended June 30, 2015						
Name	Note	Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax	Of which payment deferred	Actual amount of remuneration paid (pre-tax)
Executive directors								
Wang Tianyu		—	447	676	96	1,219	381	838
Shen Xueqing		—	424	642	87	1,153	361	792
Zhang Rongshun		—	402	608	89	1,099	342	757
Non-executive directors								
Fan Yutao	(iv)	—	—	—	—	—	—	—
Ma Jinwei	(iv)	—	—	—	—	—	—	—
Xu Jianxin		15	—	—	—	15	—	15
Zhang Jingguo		15	—	—	—	15	—	15
Liang Songwei		—	—	—	—	—	—	—
Ji Hongjun		—	—	—	—	—	—	—
Ma Lei		—	—	—	—	—	—	—
Independent non-executive directors								
Wang Shihao		75	—	—	—	75	—	75
Li Huaizhen	(iv)	—	—	—	—	—	—	—
Xie Taifeng	(iv)	—	—	—	—	—	—	—
Wu Ge	(iv)	—	—	—	—	—	—	—
Chan Mei Bo, Mabel	(iv)	—	—	—	—	—	—	—
Supervisors								
Fan Dalu		—	402	608	88	1,098	342	756
Tang Yunwei		60	—	—	—	60	—	60
Liu Yuhui		60	—	—	—	60	—	60
Meng Jun		15	—	—	—	15	—	15
Duan Ping		—	94	110	44	248	—	248
Zhang Chunge		—	13	205	46	264	—	264
Zhang Shengping	(iv)	—	—	—	—	—	—	—
Zhu Zhihui	(iv)	—	—	—	—	—	—	—
Cui Huarui	(iv)	—	251	732	53	1,036	—	1,036
Former executive directors								
Qiao Jun'an	(iv)	—	—	—	—	—	—	—
Former non-executive directors								
Liu Rui	(iv)	—	—	—	—	—	—	—
Zhu Zhihui	(iv)	15	—	—	—	15	—	15
Former independent directors								
Wang Zhenmin	(iv)	75	—	—	—	75	—	75
Wei Xin	(iv)	75	—	—	—	75	—	75
Total		**405**	**2,033**	**3,581**	**503**	**6,522**	**1,426**	**5,096**

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Directors' and supervisors' emoluments (continued)

Notes:

(i) At the Bank's 2012 first Extraordinary General Meeting held on February 26, 2012, Mr. Wang Tianyu, Mr. Shen Xueqing, Mr. Zhang Rongshun and Mr. Qiao Jun'an were elected as executive directors of the Bank; Mr. Liu Rui, Mr. Xu Jianxin, Mr. Zhang Jingguo, Mr. Liang Songwei, Mr. Li Dongming, Mr. Ji Hongjun, Mr. Zhu Zhihui and Mr. Ma Lei were elected as non-executive directors of the Bank; Mr. Wang Zhenmin, Mr. Wei Xin and Mr. Wang Shihao were elected as independent non-executive directors of the Bank; Mr. Fan Dalu, Mr. Tang Yunwei, Mr. Liu Yuhui, Ms. Meng Jun and Mr. Zhu Donghui were elected as supervisors of the Bank;

At the Bank's 2012 first meeting of the second session of the labor union committee held on February 24, 2012, Ms. Duan Ping and Ms. Zhang Chunge were elected as supervisors of the Bank;

(ii) At the Bank's 2012 General Meeting held on June 8, 2013, Mr. Li Dongming resigned as non-executive director of the Bank;

(iii) At the Bank's 2013 General Meeting held on June 22, 2014, Mr. Zhu Donghui resigned as supervisor of the Bank;

(iv) At the Bank's 2014 General Meeting held on June 18, 2015, Mr. Qiao Jun'an resigned as executive director of the Bank; Mr. Fan Yutao and Mr. Ma Jinwei was elected as non-executive director of the Bank, and Mr. Liu Rui and Mr. Zhu Zhihui resigned as non-executive directors of the Bank; Mr. Li Huaizhen, Mr. Xie Taifeng, Mr. Wu Ge and Ms. Chan Mei Bo, Mabel were elected as independent non-executive directors of the Bank, and Mr. Wang Zhenmin and Mr. Wei Xin resigned as independent non-executive directors of the Bank; Mr. Zhang Shengping, Mr. Zhu Zhihui and Ms. Cui Huarui were elected as supervisors of the Bank;

(v) The total compensation packages for some directors and supervisors for the six months ended June 30, 2015 are subject to the approval of the relevant regulatory authorities in PRC.

10 Individuals with highest emoluments

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, the five individuals with highest emoluments included 3 directors and 1 supervisor, 3 directors and 1 supervisor, 3 directors and 1 supervisor, 4 directors and 1 supervisor, 3 directors and 1 supervisor of the Bank, respectively, whose emoluments are disclosed in Note 9. The emoluments for the rest of the five highest paid individual for the end of the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2012	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
Salaries and other emoluments	477	550	631	—	402
Discretionary bonuses	886	1,217	1,217	—	608
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	56	148	152	—	84
Total	1,419	1,915	2,000	—	1,094

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Individuals with highest emoluments (continued)

The individual whose emoluments before individual income tax are within the following bands is set out below:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
RMB1,000,001-1,500,000	1	—	—	—	1
RMB1,500,001-2,000,000	—	1	1	—	—
Total	1	1	1	—	1

11 Impairment losses on assets

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Loans and advances to customers	320,000	400,000	407,959	189,587	602,753
Loans and receivables	12,387	—	89,116	48,768	40,884
Others	(4,287)	—	—	—	28,309
Total	328,100	400,000	497,075	238,355	671,946

12 Income tax expense

(1) Income tax for the Relevant Periods:

		Year ended December 31,			Six months ended June 30,	
	Note	2012	2013	2014	2014	2015
					(unaudited)	
Current tax		510,766	672,495	835,577	401,711	655,254
Deferred tax	23(2)	(48,263)	(72,481)	(85,960)	(37,606)	(120,347)
Adjustment for prior years		—	5,627	(9,765)	(9,765)	(2,316)
Total		462,503	605,641	739,852	354,340	532,591

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Income tax expense (continued)

(2) Reconciliations between income tax and accounting profit are as follows:

		Year ended December 31,			Six months ended June 30,	
	Note	2012	2013	2014	2014	2015
					(unaudited)	
Profit before tax		1,922,803	2,507,491	3,202,935	1,558,381	2,283,247
Statutory tax rate		25%	25%	25%	25%	25%
Income tax calculated at statutory tax rate		480,701	626,873	800,734	389,595	570,812
Non-deductible expenses		10,547	5,942	6,914	1,180	870
Non-taxable income	(i)	(28,745)	(32,801)	(58,031)	(26,670)	(36,775)
Sub-total		462,503	600,014	749,617	364,105	534,907
Adjustment for prior years		—	5,627	(9,765)	(9,765)	(2,316)
Income tax		462,503	605,641	739,852	354,340	532,591

Note:

(i) Non-taxable income consists of interest income from the PRC government bonds and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

13 Basic and diluted earnings per share

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Net profit	1,460,300	1,901,850	2,463,083	1,204,041	1,750,656
Number of ordinary share (in thousands)	3,941,932	3,941,932	3,941,932	3,941,932	3,941,932
Basic and diluted earnings per share (in RMB)	0.37	0.48	0.62	0.31	0.44

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the Relevant Periods.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Cash and deposits with central bank

	Note	December 31, 2012	December 31, 2013	December 31, 2014	June 30, 2015
Cash on hand		716,702	685,206	704,891	734,372
Deposits with central bank					
- Statutory deposit reserves	14(1)	13,150,609	17,435,543	23,866,487	23,316,905
- Surplus deposit reserves	14(2)	4,453,335	4,736,608	9,213,826	8,379,158
- Fiscal deposits		115,195	122,765	69,626	263,336
Sub-total		17,719,139	22,294,916	33,149,939	31,959,399
Total		18,435,841	22,980,122	33,854,830	32,693,771

(1) The Bank places statutory deposit reserves with 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:

	December 31, 2012	December 31, 2013	December 31, 2014	June 30, 2015
Reserve ratio for RMB deposits	18%	18%	17.5%	16.5%
Reserve ratio for foreign currency deposits	5%	5%	5%	5%

The statutory deposit reserves are not available for the Bank's daily business.

(2) The surplus deposit reserves are maintained with PBOC for the purpose of clearing.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	December 31,			June 30,
	2012	**2013**	**2014**	**2015**
Deposits in mainland China				
- Banks	2,082,082	6,193,624	1,815,538	2,061,490
- Other financial institutions	2,485	2,489	2,000	2,000
Sub-total	2,084,567	6,196,113	1,817,538	2,063,490
Deposits outside mainland China				
- Banks	—	—	17,707	1,181,683
Total	2,084,567	6,196,113	1,835,245	3,245,173
Less: Provision for impairment losses	(61)	(61)	—	—
Net deposits with banks and other financial institutions	2,084,506	6,196,052	1,835,245	3,245,173

16 Placements with banks

	December 31,			June 30,
	2012	**2013**	**2014**	**2015**
Placements in mainland China				
- Banks	—	886,000	—	1,861,950
Total	—	886,000	—	1,861,950

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Financial assets at fair value through profit or loss

	December 31,			June 30,
	2012	2013	2014	2015
Debt securities held for trading purpose				
- Government	49,468	817,410	2,357,432	2,875,566
- Policy banks	3,097,258	2,605,966	4,838,030	9,925,696
- Banks and other financial institutions	—	228,867	28,110	—
- Corporate	3,557,805	4,338,131	3,743,795	2,365,585
Total	6,704,531	7,990,374	10,967,367	15,166,847
Debt securities analysed into:				
- Listed outside Hong Kong	369,898	—	208,332	—
- Unlisted	6,334,633	7,990,374	10,759,035	15,166,847
Total (Note (i))	6,704,531	7,990,374	10,967,367	15,166,847

Note:

(i) As at the end of each of the Relevant Periods, certain financial assets at fair value through profit or loss was pledged for repurchase agreements (Note 39(6)). No other investments were subject to material restrictions on the realization.

18 Financial assets held under resale agreements

(1) Analysed by type and location of counterparty

	December 31,			June 30,
	2012	2013	2014	2015
In mainland China				
- Banks	—	4,519,273	3,002,912	7,878,504
- Other financial institutions	2,181,318	2,748,082	3,572,611	795,244
Total	2,181,318	7,267,355	6,575,523	8,673,748

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Financial assets held under resale agreements (continued)

(2) Analysed by type of collateral

	December 31,			June 30,
	2012	2013	2014	2015
Debt securities	2,181,318	4,177,082	5,575,523	8,673,748
Others	—	3,090,273	1,000,000	—
Total	2,181,318	7,267,355	6,575,523	8,673,748

19 Loans and advances to customers

(1) Analysed by nature

	December 31,			June 30,
	2012	2013	2014	2015
Corporate loans and advances	32,598,681	43,407,471	51,671,171	58,426,643
Personal loans and advances				
- Personal business loans	4,962,387	8,976,463	11,352,198	12,624,331
- Residential mortgage	3,153,090	3,583,463	6,046,907	6,152,502
- Personal consumption loans	921,679	1,519,477	2,822,774	3,101,076
- Auto loans	1,148,966	1,096,798	1,104,672	971,655
- Credit card	—	—	67,932	267,055
- Others	1,315	161	53	15
Sub-total	10,187,437	15,176,362	21,394,536	23,116,634
Discounted bills	7,374,905	4,359,919	4,920,407	4,826,218
Gross loans and advances to customers	50,161,023	62,943,752	77,986,114	86,369,495
Less: Provision for impairment losses				
- Individually assessed	(123,127)	(134,975)	(219,933)	(295,851)
- Collectively assessed	(884,643)	(1,272,795)	(1,539,991)	(1,998,189)
Total provision for impairment losses	(1,007,770)	(1,407,770)	(1,759,924)	(2,294,040)
Net loans and advances to customers	49,153,253	61,535,982	76,226,190	84,075,455

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(2) Analysed by economic sector

	December 31, 2012		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	10,789,647	21.51%	4,429,669
Manufacturing	8,851,595	17.65%	3,374,738
Construction	4,103,964	8.18%	2,259,501
Real estate	2,663,407	5.31%	2,143,407
Leasing and commercial services	1,122,778	2.24%	560,181
Agriculture, forestry, animal husbandry and fishery	1,077,676	2.15%	570,276
Mining	874,950	1.75%	296,950
Production and supply of electric and heating power, gas and water	809,370	1.61%	149,370
Accommodation and catering	596,901	1.19%	406,540
Transportation, storage and postal services	463,540	0.92%	192,640
Education	418,400	0.83%	185,400
Others	826,453	1.65%	234,620
Sub-total of corporate loans and advances	32,598,681	64.99%	14,803,292
Personal loans and advances	10,187,437	20.31%	7,834,447
Discounted bills	7,374,905	14.70%	7,374,905
Gross loans and advances to customers	50,161,023	100.00%	30,012,644

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(2) Analysed by economic sector (continued)

	December 31, 2013		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	16,666,521	26.48%	7,301,183
Manufacturing	11,561,790	18.37%	4,363,775
Construction	5,538,237	8.80%	2,984,363
Real estate	2,130,033	3.38%	1,831,033
Agriculture, forestry, animal husbandry and fishery	1,947,550	3.09%	760,750
Mining	1,156,300	1.84%	309,300
Leasing and commercial services	986,838	1.57%	397,994
Accommodation and catering	807,349	1.28%	588,870
Production and supply of electric and heating power, gas and water	674,110	1.07%	231,610
Transportation, storage and postal services	634,052	1.01%	221,530
Public administration, public security and social organisations	487,300	0.77%	190,300
Water, environment and public facility management	201,050	0.32%	53,550
Culture, sports and entertainment	117,190	0.19%	109,190
Others	499,151	0.79%	214,022
Sub-total of corporate loans and advances	43,407,471	68.96%	19,557,470
Personal loans and advances	15,176,362	24.11%	10,469,714
Discounted bills	4,359,919	6.93%	4,271,514
Gross loans and advances to customers	62,943,752	100.00%	34,298,698

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(2) Analysed by economic sector (continued)

	December 31, 2014		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	16,945,162	21.73%	7,002,815
Manufacturing	12,801,526	16.42%	3,827,271
Construction	5,572,599	7.15%	2,689,451
Real estate	4,697,044	6.02%	3,193,544
Agriculture, forestry, animal husbandry and fishery	2,078,356	2.67%	938,610
Mining	1,537,535	1.97%	819,900
Public administration, public security and social organisations	1,290,000	1.65%	—
Leasing and commercial services	1,208,605	1.55%	523,302
Transportation, storage and postal services	1,171,060	1.50%	185,660
Water, environment and public facility management	1,037,740	1.33%	316,995
Accommodation and catering	931,221	1.19%	672,535
Culture, sports and entertainment	760,570	0.98%	108,570
Production and supply of electric and heating power, gas and water	742,950	0.95%	288,700
Others	896,803	1.15%	404,847
Sub-total of corporate loans and advances	51,671,171	66.26%	20,972,200
Personal loans and advances	21,394,536	27.43%	15,575,403
Discounted bills	4,920,407	6.31%	3,948,529
Gross loans and advances to customers	77,986,114	100.00%	40,496,132

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(2) Analysed by economic sector (continued)

	June 30, 2015		
	Amount	**Percentage**	**Loans and advances secured by collaterals**
Wholesale and retail	19,991,591	23.15%	9,884,425
Manufacturing	13,781,791	15.96%	5,398,820
Real estate	6,556,107	7.59%	5,036,107
Construction	5,451,417	6.31%	3,222,010
Agriculture, forestry, animal husbandry and fishery	2,332,796	2.70%	1,252,270
Mining	2,074,439	2.40%	1,367,439
Water, environment and public facility management	1,303,110	1.51%	677,865
Public administration, public security and social orgnisations	1,275,000	1.48%	—
Accommodation and catering	1,167,840	1.35%	812,640
Transportation, storage and postal services	1,028,936	1.19%	96,259
Production and supply of electric and heating power, gas and water	993,965	1.15%	419,740
Leasing and commercial services	911,514	1.06%	419,623
Culture, sports and entertainment	539,770	0.62%	115,770
Others	1,018,367	1.18%	487,675
Sub-total of corporate loans and advances	58,426,643	67.65%	29,190,643
Personal loans and advances	23,116,634	26.76%	16,363,262
Discounted bills	4,826,218	5.59%	4,061,875
Gross loans and advances to customers	86,369,495	100.00%	49,615,780

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(2) Analysed by economic sector (continued)

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 economic sector which constitutes 10% or more of gross loans and advances to customers is as follows:

	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
Wholesale and retail	—	—	243,625	116,465	—
Manufacturing	103,870	71,528	176,908	1,162	—

	December 31, 2013				
	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
Wholesale and retail	11,251	3,624	555,750	315,749	—
Manufacturing	285,319	131,351	267,159	150,074	—

	December 31, 2014				
	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
Wholesale and retail	215,657	89,934	503,930	77,827	38,870
Manufacturing	321,126	122,197	376,274	111,785	—

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(2) Analysed by economic sector (continued)

	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
Wholesale and retail	279,371	104,386	639,423	157,569	—
Manufacturing	384,669	124,466	559,971	242,606	45,000

(3) Analysed by type of collateral

	December 31,			June 30,
	2012	2013	2014	2015
Unsecured loans	305,631	1,296,006	2,533,152	956,107
Guaranteed loans	19,842,748	27,349,048	34,956,830	35,797,608
Loans secured by tangible assets other than monetary assets	13,592,001	17,031,218	23,527,097	27,100,349
Loans secured by intangible assets or monetary assets	16,420,643	17,267,480	16,969,035	22,515,431
Gross loans and advances to customers	50,161,023	62,943,752	77,986,114	86,369,495
Less: Provision for impairment losses				
- Individually assessed	(123,127)	(134,975)	(219,933)	(295,851)
- Collectively assessed	(884,643)	(1,272,795)	(1,539,991)	(1,998,189)
Total provision for impairment losses	(1,007,770)	(1,407,770)	(1,759,924)	(2,294,040)
Net loans and advances to customers	49,153,253	61,535,982	76,226,190	84,075,455

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(4) Overdue loans analysed by overdue period

	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	100	—	—	—	100
Guaranteed loans	47,653	39,680	200	—	87,533
Loans secured by tangible assets other than monetary assets	213,495	131,984	574	84,469	430,522
Loans secured by intangible assets or monetary assets	118,420	—	—	—	118,420
Total	379,668	171,664	774	84,469	636,575
As a percentage of gross loans and advances to customers	0.76%	0.34%	0.00%	0.17%	1.27%

	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	82	44	—	—	126
Guaranteed loans	238,595	68,564	4,290	—	311,449
Loans secured by tangible assets other than monetary assets	15,674	225,016	103	84,766	325,559
Loans secured by intangible assets or monetary assets	321,155	1,880	—	—	323,035
Total	575,506	295,504	4,393	84,766	960,169
As a percentage of gross loans and advances to customers	0.92%	0.47%	0.01%	0.13%	1.53%

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(4) Overdue loans analysed by overdue period (continued)

	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	65	27	44	—	136
Guaranteed loans	874,915	353,545	117,372	—	1,345,832
Loans secured by tangible assets other than monetary assets	297,837	92,527	7,000	45,809	443,173
Loans secured by intangible assets or monetary assets	84,005	1,880	—	—	85,885
Total	1,256,822	447,979	124,416	45,809	1,875,026
As a percentage of gross loans and advances to customers	1.61%	0.57%	0.16%	0.06%	2.40%

	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	526	46	71	—	643
Guaranteed loans	1,521,565	480,523	176,238	—	2,178,326
Loans secured by tangible assets other than monetary assets	552,194	350,575	530	—	903,299
Loans secured by intangible assets or monetary assets	526,987	64,265	—	—	591,252
Total	2,601,272	895,409	176,839	—	3,673,520
As a percentage of gross loans and advances to customers	3.01%	1.04%	0.20%	0.00%	4.25%

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(5) Loans and advances and provision for impairment losses

	December 31, 2012				
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			
		for which provision are collectively assessed	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	49,924,055	4,098	232,870	50,161,023	0.47%
Less: Provision for impairment losses	(882,825)	(1,818)	(123,127)	(1,007,770)	
Net loans and advances to customers	49,041,230	2,280	109,743	49,153,253	

	December 31, 2013				
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			
		for which provision are collectively assessed	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	62,612,934	34,248	296,570	62,943,752	0.53%
Less: Provision for impairment losses	(1,262,555)	(10,240)	(134,975)	(1,407,770)	
Net loans and advances to customers	61,350,379	24,008	161,595	61,535,982	

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(5) Loans and advances and provision for impairment losses (continued)

December 31, 2014

	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii)) for which provision are collectively assessed	Impaired loans and advances (Note (ii)) 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	77,402,698	15,425	567,991	77,986,114	0.75%
Less: Provision for impairment losses	(1,534,704)	(5,287)	(219,933)	(1,759,924)	
Net loans and advances to customers	75,867,994	10,138	348,058	76,226,190	

June 30, 2015

	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii)) for which provision are collectively assessed	Impaired loans and advances (Note (ii)) 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	85,453,339	36,116	880,040	86,369,495	1.06%
Less: Provision for impairment losses	(1,984,523)	(13,666)	(295,851)	(2,294,040)	
Net loans and advances to customers	83,468,816	22,450	584,189	84,075,455	

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(5) Loans and advances and provision for impairment losses (continued)

Notes:

(i) Loans and advances collectively assessed for impairment bear relatively insignificant risk of impairment. These loans and advances include those which are graded at normal or special-mention.

(ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:

- Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or

- Collectively, representing portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

(iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 37(1).

(6) Movements of provision for impairment losses

	2012			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	585,883	3,439	98,448	687,770
Charge for the year	296,942	—	54,209	351,151
Release for the year	—	(1,621)	(29,530)	(31,151)
As at December 31	882,825	1,818	123,127	1,007,770

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(6) Movements of provision for impairment losses (continued)

	2013			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	882,825	1,818	123,127	1,007,770
Charge for the year	379,730	8,422	66,058	454,210
Release for the year	—	—	(54,210)	(54,210)
As at December 31	1,262,555	10,240	134,975	1,407,770

	2014			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	1,262,555	10,240	134,975	1,407,770
Charge for the year	272,149	—	199,368	471,517
Release for the year	—	(4,953)	(58,605)	(63,558)
Recoveries	—	—	140	140
Write-offs	—	—	(38,870)	(38,870)
Unwinding of discount	—	—	(17,075)	(17,075)
As at December 31	1,534,704	5,287	219,933	1,759,924

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(6) Movements of provision for impairment losses (continued)

	Six months ended June 30, 2015			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at January 1	1,534,704	5,287	219,933	1,759,924
Charge for the period	449,819	8,379	213,401	671,599
Release for the period	—	—	(68,846)	(68,846)
Write-offs	—	—	(45,000)	(45,000)
Unwinding of discount	—	—	(23,637)	(23,637)
As at June 30	1,984,523	13,666	295,851	2,294,040

20 Financial investments

		December 31,			June 30,
	Note	2012	2013	2014	2015
Available-for-sale financial assets	20(1)	2,914,476	596,480	3,965,181	1,967,911
Held-to-maturity investments	20(2)	7,097,535	16,730,401	22,064,640	21,615,451
Loans and receivables	20(3)	13,173,303	22,411,503	45,502,357	52,055,389
Total		23,185,314	39,738,384	71,532,178	75,638,751

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments (continued)

(1) Available-for-sale financial assets

	December 31,			June 30,
	2012	2013	2014	2015
Debt securities (unlisted)				
- Policy banks	2,506,733	208,080	1,179,465	—
- Banks and other financial institutions	49,353	—	1,319,493	99,016
- Corporate	19,990	—	351,403	105,982
Sub-total	2,576,076	208,080	2,850,361	204,998
Other debt investments				
- Unlisted	330,000	380,000	1,106,420	1,754,513
Equity investments at cost (Note (i))				
- Unlisted	8,400	8,400	8,400	8,400
Total (Note (ii))	2,914,476	596,480	3,965,181	1,967,911

Notes:

(i) Available-for-sale unlisted equity investments which do not have any quoted price in an active market for an identical instrument and whose fair values cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment.

(ii) As at the end of each of the Relevant Periods, certain available-for-sale financial assets was pledged for repurchase agreements (Note 39(6)). No other investments were subject to material restrictions on the realization.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments (continued)

(2) Held-to-maturity investments

	December 31,			June 30,
	2012	2013	2014	2015
Debt securities listed				
- Government	2,484,534	4,273,600	4,802,305	4,792,380
- Policy banks	3,978,757	8,324,236	10,173,037	9,997,262
- Banks and other financial institutions	170,000	636,449	1,038,666	1,040,369
- Corporate	464,244	3,496,116	6,050,632	5,785,440
Total	7,097,535	16,730,401	22,064,640	21,615,451
Debt securities analysed into:				
- Listed outside Hong Kong	724,466	1,218,553	1,463,550	1,465,936
- Unlisted	6,373,069	15,511,848	20,601,090	20,149,515
Total (Note (i))	7,097,535	16,730,401	22,064,640	21,615,451

Notes:

(i) As at the end of each of the Relevant Periods, certain held-to-maturity investments was pledged for repurchase agreements (Note 39(6)). No other investments were subject to material restrictions on the realization.

(ii) For the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015, the Bank disposed of securities classified as held-to-maturity with a total carrying amount of nil, nil, RMB100 million and nil, respectively. The carrying amount of held-to-maturity securities that were disposed of accounted for 0.59% of the total amount of the Bank's held-to-maturity investments as at December 31, 2014.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments (continued)

(3) Loans and receivables

	December 31,			June 30,
	2012	2013	2014	2015
Investment management products under trust scheme	11,000,700	18,136,900	27,891,700	29,861,480
Investment management products managed by securities companies	1,388,500	3,848,000	17,152,468	21,450,209
Wealth management products issued by financial institutions	250,000	30,000	200,000	—
Others	550,000	412,500	363,202	889,597
Sub-total	13,189,200	22,427,400	45,607,370	52,201,286
Less: Provision for impairment losses	(15,897)	(15,897)	(105,013)	(145,897)
Total	13,173,303	22,411,503	45,502,357	52,055,389

21 Interest in associates

	December 31,			June 30,
	2012	2013	2014	2015
Interest in associates	83,101	119,161	146,108	170,073
Total	83,101	119,161	146,108	170,073

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Interest in associates (continued)

The following list contains the Bank's associates, all of which are individually immaterial to the Bank and are unlisted corporate entities whose quoted market price is not available:

Name	Percentages of equity/voting rights December 31, 2012	2013	2014	June 30, 2015	Place of incorporation/ registration	Business sector
	%	%	%	%		
Zhongmu Zhengyin County Bank Co., Ltd.	20.00	20.00	19.72	19.72	Henan, China	Banking
Xinmi Zhengyin County Bank Co., Ltd.	20.00	20.00	20.00	20.00	Henan, China	Banking
Yanling Zhengyin County Bank Co., Ltd.	30.00	30.00	30.00	30.00	Henan, China	Banking

The following tables illustrate the aggregate information of the Bank's associates that are not individually material:

	December 31, 2012	2013	2014	June 30, 2015
Aggregate carrying amount of individually immaterial associates in the statements of financial position of the Bank	83,101	119,161	146,108	170,073
Aggregate amounts of the Bank's share of results of those associates				
- Profit from continuing operations	14,612	36,060	37,348	23,965
- Other comprehensive income	—	—	—	—
- Total comprehensive income	14,612	36,060	37,348	23,965

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Property and equipment

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at January 1, 2012	692,666	153,298	13,465	75,172	—	934,601
Additions	45,681	43,019	1,784	9,888	—	100,372
Disposals	(5,998)	(4,524)	(1,899)	(1,246)	—	(13,667)
As at December 31, 2012	732,349	191,793	13,350	83,814	—	1,021,306
Additions	54,488	61,566	1,068	23,624	106,100	246,846
Disposals	(1,899)	(9,404)	(120)	(2,079)	—	(13,502)
As at December 31, 2013	784,938	243,955	14,298	105,359	106,100	1,254,650
Additions	267,052	75,153	977	31,353	761	375,296
Disposals	(73,519)	(22,268)	—	(2,300)	—	(98,087)
As at December 31, 2014	978,471	296,840	15,275	134,412	106,861	1,531,859
Additions	74,456	17,100	—	21,401	—	112,957
Disposals	(63,081)	(3)	—	(16,219)	—	(79,303)
As at June 30, 2015	989,846	313,937	15,275	139,594	106,861	1,565,513
Accumulated depreciation						
As at January 1, 2012	(115,864)	(84,536)	(7,651)	(30,916)	—	(238,967)
Additions	(17,301)	(20,460)	(1,716)	(10,417)	—	(49,894)
Disposals	3,510	4,297	1,804	1,135	—	10,746
As at December 31, 2012	(129,655)	(100,699)	(7,563)	(40,198)	—	(278,115)
Additions	(17,594)	(27,561)	(1,710)	(12,357)	—	(59,222)
Disposals	1,754	8,932	114	1,952	—	12,752
As at December 31, 2013	(145,495)	(119,328)	(9,159)	(50,603)	—	(324,585)
Additions	(26,542)	(40,750)	(1,679)	(16,178)	—	(85,149)
Disposals	16,863	21,527	—	2,061	—	40,451
As at December 31, 2014	(155,174)	(138,551)	(10,838)	(64,720)	—	(369,283)

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Property and equipment (continued)

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Additions	(13,774)	(24,836)	(854)	(10,478)	—	(49,942)
Disposals	56,295	2	—	15,350	—	71,647
As at June 30, 2015	(112,653)	(163,385)	(11,692)	(59,848)	—	(347,578)
Impairment						
As at January 1, 2012	(2,015)	(1,893)	—	(756)	—	(4,664)
Additions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at December 31, 2012	(2,015)	(1,893)	—	(756)	—	(4,664)
Additions	—	—	—	—	—	—
Disposals	660	—	—	—	—	660
As at December 31, 2013	(1,355)	(1,893)	—	(756)	—	(4,004)
Additions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at December 31, 2014	(1,355)	(1,893)	—	(756)	—	(4,004)
Additions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at June 30, 2015	(1,355)	(1,893)	—	(756)	—	(4,004)
Net book value						
As at December 31, 2012	600,679	89,201	5,787	42,860	—	738,527
As at December 31, 2013	638,088	122,734	5,139	54,000	106,100	926,061
As at December 31, 2014	821,942	156,396	4,437	68,936	106,861	1,158,572
As at June 30, 2015	875,838	148,659	3,583	78,990	106,861	1,213,931

The carrying amounts of premises without title deeds as at December 31, 2012, 2013 and 2014, and June 30, 2015 were RMB531 million, RMB107 million, RMB284 million and RMB313 million, respectively. The Bank is still in the progress of applying for the outstanding title deeds for the above premises. The Bank expected that there would be no significant costs in obtaining the title deeds.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Property and equipment (continued)

The net book values of premises at the end of each of the Relevant Periods are analysed by the remaining terms of the land leases as follows:

	December 31,			June 30,
	2012	2013	2014	2015
Held in mainland China				
- Long term leases (over 50 years)	3,866	2,811	2,393	—
- Medium term leases (10 – 50 years)	593,068	632,040	818,871	875,838
- Short term leases (less than 10 years)	3,745	3,237	678	—
Total	600,679	638,088	821,942	875,838

23 Deferred tax assets

(1) Analysed by nature

	December 31,						June 30,	
	2012		2013		2014		2015	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Allowance for impairment losses	567,116	141,779	821,620	205,405	1,151,277	287,819	1,629,954	407,489
Accrued staff costs	171,155	42,789	189,037	47,259	214,918	53,730	209,812	52,453
Fair value change of financial assets	(82,536)	(20,634)	(10,368)	(2,592)	(17,377)	(4,344)	(32,840)	(8,210)
Provisions	10,652	2,663	5,000	1,250	3,880	970	28,309	7,077
Net deferred income tax	666,387	166,597	1,005,289	251,322	1,352,698	338,175	1,835,235	458,809

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Deferred tax assets (continued)

(2) Analysed by movement

	Allowance for impairment losses	Accrued staff costs	Fair value changes of financial assets	Provisions	Net deferred tax assets
January 1, 2012	90,471	30,234	(14,232)	12,082	118,555
Recognised in profit or loss	51,308	9,704	(3,330)	(9,419)	48,263
Recognised in other comprehensive income	—	2,851	(3,072)	—	(221)
December 31, 2012	141,779	42,789	(20,634)	2,663	166,597
Recognised in profit or loss	63,626	4,796	5,472	(1,413)	72,481
Recognised in other comprehensive income	—	(326)	12,570	—	12,244
December 31, 2013	205,405	47,259	(2,592)	1,250	251,322
Recognised in profit or loss	82,414	3,138	688	(280)	85,960
Recognised in other comprehensive income	—	3,333	(2,440)	—	893
December 31, 2014	287,819	53,730	(4,344)	970	338,175
Recognised in profit or loss	119,670	(2,302)	(3,128)	6,107	120,347
Recognised in other comprehensive income	—	1,025	(738)	—	287
June 30, 2015	407,489	52,453	(8,210)	7,077	458,809

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Other assets

		December 31,			June 30,
	Note	2012	2013	2014	2015
Interest receivables	24(1)	416,310	711,940	962,479	1,129,011
Intangible assets	24(2)	43,619	54,846	85,221	88,195
Prepayments		353,993	574,151	519,183	698,743
Leasehold improvements		23,752	31,858	46,029	84,853
Other receivables		163,351	70,676	42,109	212,706
Total		1,001,025	1,443,471	1,655,021	2,213,508

(1) Interest receivables

	December 31,			June 30,
	2012	2013	2014	2015
Interest receivables arising from:				
- Investments	296,257	531,897	773,593	908,920
- Loans and advances to customers	94,992	123,826	170,957	182,154
- Others	44,458	75,614	37,326	57,334
Sub-total	435,707	731,337	981,876	1,148,408
Less: allowance for impairment losses	(19,397)	(19,397)	(19,397)	(19,397)
Total	416,310	711,940	962,479	1,129,011

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Other assets (continued)

(2) Intangible assets

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
Cost				
As at January 1	46,454	60,224	79,504	123,005
Additions	13,770	19,280	43,501	12,589
As at December 31/June 30	60,224	79,504	123,005	135,594
Accumulated amortisation				
As at January 1	(12,224)	(16,460)	(24,513)	(37,639)
Additions	(4,236)	(8,053)	(13,126)	(9,615)
As at December 31/June 30	(16,460)	(24,513)	(37,639)	(47,254)
Impairment				
As at January 1	(145)	(145)	(145)	(145)
Additions	—	—	—	—
As at December 31/June 30	(145)	(145)	(145)	(145)
Net book value				
As at January 1	34,085	43,619	54,846	85,221
As at December 31/June 30	43,619	54,846	85,221	88,195

25 Deposits from banks and other financial institutions

	December 31,			June 30,
	2012	2013	2014	2015
In mainland China				
- Banks	7,686,755	13,802,810	31,163,839	28,428,688
- Other financial institutions	241,055	409,929	1,023,474	1,494,569
Total	7,927,810	14,212,739	32,187,313	29,923,257

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Placements from banks and other financial institutions

	December 31,			June 30,
	2012	2013	2014	2015
In mainland China				
- Banks	200,000	2,000,000	1,003,095	1,861,350
Total	200,000	2,000,000	1,003,095	1,861,350

27 Financial assets sold under repurchase agreements

(1) Analysed by type and location of counterparty

	December 31,			June 30,
	2012	2013	2014	2015
In mainland China				
- Banks	11,128,308	12,890,141	15,782,600	12,022,677
- Other financial institutions	200,000	600,000	—	—
Total	11,328,308	13,490,141	15,782,600	12,022,677

(2) Analysed by type of collateral

	December 31,			June 30,
	2012	2013	2014	2015
Debt securities	11,082,400	13,490,141	15,782,600	12,022,677
Bills	245,908	—	—	—
Total	11,328,308	13,490,141	15,782,600	12,022,677

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Deposits from customers

	December 31,			June 30,
	2012	2013	2014	2015
Demand deposits				
- Corporate deposits	32,973,137	40,761,630	49,756,795	49,394,080
- Personal deposits	7,938,611	10,422,691	10,603,368	11,020,226
Sub-total	40,911,748	51,184,321	60,360,163	60,414,306
Time deposits				
- Corporate deposits	9,725,798	17,937,685	24,368,489	30,514,482
- Personal deposits	12,983,298	19,402,459	27,420,237	31,398,370
Sub-total	22,709,096	37,340,144	51,788,726	61,912,852
Pledged deposits				
- Acceptances	9,351,220	10,939,845	16,471,219	19,413,663
- Letters of guarantees	1,145,125	1,474,699	2,362,522	2,196,147
- Letters of credit	—	648,800	966,102	1,127,998
- Others	410,851	451,655	473,901	442,793
Sub-total	10,907,196	13,514,999	20,273,744	23,180,601
Others	126,429	57,339	138,742	654,859
Total	74,654,469	102,096,803	132,561,375	146,162,618

29 Debt securities issued

		December 31,			June 30,
	Note	2012	2013	2014	2015
Financial bonds	29(1)	—	5,000,000	5,000,000	5,000,000
Subordinated debts/tier-two capital bonds	29(2)	690,000	690,000	2,000,000	2,000,000
Interbank deposits	29(3)	—	—	1,503,833	11,584,732
Total		690,000	5,690,000	8,503,833	18,584,732

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

29 Debt securities issued (continued)

(1) Fixed rate financial bonds of RMB5.0 billion were issued in May, 2013, detailed information is as follow:

a. Fixed rate financial bonds of RMB2.4 billion with a term of three years was issued. The coupon rate is 4.58% per annum.

b. Fixed rate financial bonds of RMB2.6 billion with a term of five years was issued. The coupon rate is 4.80% per annum.

(2) Subordinated debts/tier-two capital bonds

a. Fixed rate subordinated debts of RMB690 million with a term of ten years were issued in December 2009. The coupon rate for the first five years is 6.5% per annum. The Bank has an option to redeem the debts at the end of the 5th year at the nominal amount. The Bank redeemed the debts in December 2014.

b. Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in December 2014. The coupon rate is 5.73% per annum.

(3) Interbank deposits

a. Interbank deposit of RMB1.5 billion with a term of half year was issued in December 2014. The coupon rate is 4.60% per annum. The interbank deposit was matured in June 2015.

b. Interbank deposits with an aggregate nominal amount of RMB11.85 billion were issued in the first half year of 2015.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Other liabilities

		December 31,			June 30,
	Note	2012	2013	2014	2015
Interest payables	30(1)	607,953	1,239,628	1,834,071	1,945,297
Accrued staff costs	30(2)	191,215	213,779	294,885	272,350
Dormant accounts		70,129	74,775	75,672	78,872
Payment and collection clearance accounts		67,490	76,803	121,589	1,210,137
Dividend payable		14,764	14,764	27,099	36,365
Provisions		10,652	5,000	3,880	28,308
Others		161,515	205,713	228,151	408,906
Total		1,123,718	1,830,462	2,585,347	3,980,235

(1) Interest payables

	December 31,			June 30,
	2012	2013	2014	2015
Interest payable arising from:				
- Deposits from customers	540,826	975,153	1,309,974	1,578,386
- Deposits and placements from banks and other financial institutions	28,258	110,533	371,118	274,621
- Debt securities issued	—	144,744	150,156	90,096
- Financial assets sold under repurchase agreements	38,869	9,198	2,823	2,194
Total	607,953	1,239,628	1,834,071	1,945,297

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Other liabilities (continued)

(2) Accrued staff costs

	Note	December 31, 2012	December 31, 2013	December 31, 2014	June 30, 2015
Salary, bonuses and allowances payable		15,472	18,573	68,203	53,338
Staff welfare		—	15	117	10
Other social insurance payable		—	1,437	—	—
Housing allowances payable		13	13	13	13
Labor union fee, staff and workers' education fee		4,575	4,704	11,634	9,177
Supplementary retirement benefits payable	(a)	171,155	189,037	214,918	209,812
Total		191,215	213,779	294,885	272,350

(a) Supplementary retirement benefits

The supplementary retirement benefits of the Bank include early retirement plan and supplementary retirement plan. The early retirement benefits is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Bank's eligible employees.

(i) The balances of supplementary retirement benefits of the Bank are as follows:

	December 31, 2012	December 31, 2013	December 31, 2014	June 30, 2015
Present value of early retirement plan	87,806	76,195	68,847	60,069
Present value of supplementary retirement plan	83,349	112,842	146,071	149,743
Total	171,155	189,037	214,918	209,812

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Other liabilities (continued)

(2) Accrued staff costs (continued)

(a) Supplementary retirement benefits (continued)

(ii) The movements of supplementary retirement benefits of the Bank are as follows:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
As at January 1	120,935	171,155	189,037	214,918
Benefits paid during the year/period	(24,050)	(26,923)	(24,636)	(12,096)
Defined benefit cost recognised in profit or loss	62,866	46,109	37,184	2,890
Defined benefit cost recognised in other comprehensive income	11,404	(1,304)	13,333	4,100
As at December 31/June 30	171,155	189,037	214,918	209,812

(iii) Principal actuarial assumptions of the Bank are as follow:

	December 31,			June 30,
	2012	2013	2014	2015
Early retirement plan				
Discount rate	3.20%	4.40%	3.40%	2.90%
Retired age				
- Male	60	60	60	60
- Female	55	55	55	55
Annual increase rate of internal salary	8.00%	8.00%	8.00%	8.00%

	December 31,			June 30,
	2012	2013	2014	2015
Supplementary retirement plan				
Discount rate	3.90%	4.80%	3.90%	3.80%
Retired age				
- Male	60	60	60	60
- Female	55	55	55	55

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

31 Share capital

Authorised and issued share capital

	December 31,			June 30,
	2012	2013	2014	2015
Number of shares authorised, issued and fully paid at par value of RMB1 each (in thousands)	3,941,932	3,941,932	3,941,932	3,941,932

32 Reserves

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value, contributions received from shareholders and other items required by the PRC regulations.

(2) Surplus reserve

The surplus reserve at the end of each of the Relevant Periods represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. The Bank appropriated an amount of RMB146 million, RMB190 million, and RMB246 million to the statutory surplus reserve fund in the year of 2012, 2013 and 2014, respectively.

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(3) General reserve

From July 1, 2012, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the MOF, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve amounted to RMB1,033 million, RMB1,623 million and RMB2,313 million as at December 31, 2012, 2013 and 2014 respectively.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Reserves (continued)

(4) Investment revaluation reserve

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
As at January 1	23,611	32,828	(4,883)	2,436
Change in fair value recognised in other comprehensive income	25,535	(13,332)	25,350	3,059
Transfer to profit or loss upon disposal	(13,246)	(36,949)	(15,591)	(107)
Less: deferred tax	(3,072)	12,570	(2,440)	(738)
Sub-total	9,217	(37,711)	7,319	2,214
As at December 31/June 30	32,828	(4,883)	2,436	4,650

(5) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
As at January 1	(9,997)	(18,550)	(17,572)	(27,572)
Remeasuring the net defined benefit liability	(11,404)	1,304	(13,333)	(4,100)
Less: deferred tax	2,851	(326)	3,333	1,025
Sub-total	(8,553)	978	(10,000)	(3,075)
As at December 31/June 30	(18,550)	(17,572)	(27,572)	(30,647)

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

33 Profit distributions

(1) In accordance with the resolution of the Bank's 2013 Annual General Meeting held on June 22, 2014, the shareholders approved the profit distribution plan for the year ended December 31, 2013 and declared cash dividends of RMB1.50 per ten shares before tax and in an aggregation amount of RMB591 million to all existing shareholders.

(2) In accordance with the resolution of the Bank's 2014 Annual General Meeting held on June 18, 2015, the shareholders approved the profit distribution plan for the year ended December 31, 2014 and declared cash dividends of RMB1.80 per ten shares before tax and in an aggregation amount of RMB710 million to all existing shareholders.

34 Notes to cash flow statements

Cash and cash equivalents comprise:

	December 31,			June 30,
	2012	**2013**	**2014**	**2015**
Cash on hand	716,702	685,206	704,891	734,372
Surplus deposit reserves with central bank	4,453,335	4,736,608	9,213,826	8,379,158
Deposits with banks and other financial institutions	1,035,506	1,272,051	170,745	1,310,669
Placements with banks and other financial institutions	—	776,000	—	—
Debt securities investments	100,000	150,000	—	—
Total	6,305,543	7,619,865	10,089,462	10,424,199

35 Related party relationships and transactions

(1) Relationship of related parties

(a) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

35 Related party relationships and transactions (continued)

(1) Relationship of related parties (continued)

(a) Major shareholders (continued)

Shareholding in the Bank:

	December 31,			June 30,
	2012	2013	2014	2015
Zhengzhou Finance Bureau	12.58%	12.58%	12.58%	12.45%
Yutai International (Henan) Real Estate Development Co., Ltd.	6.65%	6.65%	6.65%	6.65%
Henan Xingye Real Estate Development Co., Ltd.	6.34%	6.34%	6.34%	6.34%
Zhengzhou Investment Holdings Co., Ltd.	5.96%	5.96%	5.96%	5.96%
Henan Chendong Industry Co., Ltd.	5.73%	5.73%	5.73%	5.73%
Zhongyuan Trust Co., Ltd.	5.20%	5.20%	5.20%	5.20%
Henan Guoyuan Trade Co., Ltd.	4.95%	4.95%	4.95%	5.05%

(b) Associates of the Bank

The detailed information of the Bank's associates is set out in Note 21.

(c) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 35(1)(a) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 30(2)).

(2) Related party transactions and balances

Related party transactions of the Bank mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Related party relationships and transactions (continued)

(2) Related party transactions and balances (continued)

(a) Transactions between the Bank and major shareholders

	December 31,			June 30,
	2012	**2013**	**2014**	**2015**
Balances at the end of the year/period:				
Financial investment classified as loans and receivables	400,000	—	—	—
Interests receivables	699	—	—	—
Deposits/Placements from banks and other financial institutions	37,337	41,563	70,414	39,879
Deposits from customers	224,645	483,495	872,302	1,326,336
Interest payables	198	319	148	314
Other liabilities	64,285	64,285	64,285	64,285

	Year ended December 31,			Six months ended June 30,	
	2012	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
Transactions during the year/period:					
Interest income	26,905	—	—	—	—
Other operating income	241,540	1,964	230	—	—
Interest expense	2,640	3,580	4,241	1,949	3,685

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Related party relationships and transactions (continued)

(2) Related party transactions and balances (continued)

(b) Transactions between the Bank and associates

	December 31,			June 30,
	2012	2013	2014	2015
Balances at the end of the year/period:				
Deposits/Placements with banks and other financial institutions	—	110,000	20,000	320,000
Interests receivables	—	2,121	39	4,408
Other assets	1,288	1,288	1,288	1,288
Deposits/Placements from banks and other financial institutions	164,252	985,182	1,146,136	768,717
Interest payables	69	2,771	1,827	1,274

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Transactions during the year/period:					
Interest income	—	2,121	1,300	650	4,408
Interest expense	3,099	2,562	59,769	26,209	46,965

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Related party relationships and transactions (continued)

(2) Related party transactions and balances (continued)

(c) Transactions between the Bank and other related parties

	December 31,			June 30,
	2012	2013	2014	2015
Balances at the end of the year/period:				
Loans and advances to customers	206,694	393,413	817,099	326,835
Financial investment classified as loans and receivables	4,460,000	4,653,000	5,647,000	5,544,000
Interests receivables	10,348	10,012	17,696	10,123
Deposits from customers	1,045,759	1,698,811	3,085,899	3,169,038
Deposits/placements from banks and other financial institutions	512	333,284	939,310	319,837
Interest payables	357	571	3,805	4,675

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Transactions during the year/period:					
Interest income	307,318	357,701	330,652	155,133	220,237
Interest expense	4,711	6,250	28,591	5,157	21,073

(3) Key management personnel

(a) Transactions between the Bank and key management personnel

	December 31,			June 30,
	2012	2013	2014	2015
Balances at the end of the year/period:				
Loans and advances to customers	13,421	11,504	13,362	11,953
Interest receivables	17	17	24	19
Deposits from customers	8,986	7,757	4,251	5,677
Interest payables	5	3	2	1

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Related party relationships and transactions (continued)

(3) Key management personnel (continued)

(a) Transactions between the Bank and key management personnel (continued)

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Transactions during the year/period:					
Interest income	569	526	624	273	380
Interest expense	77	37	40	2	19

(b) Key management personnel remuneration

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Salaries and other emoluments	6,395	7,789	8,926	4,496	5,257
Discretionary bonuses	10,328	15,403	15,690	7,896	8,076
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	752	1,650	2,154	970	1,166
Total	17,475	24,842	26,770	13,362	14,499

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

35 Related party relationships and transactions (continued)

(3) Key management personnel (continued)

(c) Loans to officers

Loans and advances to directors, supervisors and officers of the Bank, which are 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**	**2014**	**2015**
				(unaudited)	
Aggregate amount of relevant loans outstanding at the year/period end .	13,421	11,504	13,362	10,390	11,953
Maximum aggregate amount of relevant loans outstanding during the Relevant Periods.....................	14,711	18,421	24,204	11,504	13,985

There were no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at December 31, 2012, 2013 and 2014, as well as June 30, 2014 and 2015.

36 Segment reporting

(1) Business Segment

The Bank manages its business by business lines. Consistent with the way in which information is reported internally to the Bank's most senior executive management for the purposes of resource allocation and performance assessment, the Bank 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 finance and deposit taking activities, agency services, and remittance and settlement services.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Segment reporting (continued)

(1) Business Segment (continued)

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, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Bank's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Bank's overall liquidity position, including issuance of debts.

Others

These represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Bank'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, with the exception of deferred tax assets. 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.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

36 Segment reporting (continued)

(1) Business Segment (continued)

	Year ended December 31, 2012				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	1,956,261	355,658	877,971	—	3,189,890
Internal net interest income/(expense)	360,876	151,744	(512,620)	—	—
Net interest income	2,317,137	507,402	365,351	—	3,189,890
Net fee and commission income	13,831	28,576	19,868	—	62,275
Net trading gains	—	—	27,720	—	27,720
Net losses arising from investments	—	—	(1,494)	—	(1,494)
Other operating income	—	—	—	299,452	299,452
Operating income	2,330,968	535,978	411,445	299,452	3,577,843
Operating expenses	(705,607)	(305,319)	(80,738)	(249,888)	(1,341,552)
Impairment losses on assets	(314,766)	(5,233)	(8,101)	—	(328,100)
Operating profit	1,310,595	225,426	322,606	49,564	1,908,191
Share of profits of associates	—	—	—	14,612	14,612
Profit before tax	1,310,595	225,426	322,606	64,176	1,922,803
Other segment information					
- Depreciation and amortisation	42,071	19,613	5,269	—	66,953
- Capital expenditure	76,156	35,505	9,539	—	121,200

	December 31, 2012				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	51,716,644	15,544,130	35,776,081	530,561	103,567,416
Deferred tax assets					166,597
Total assets					103,734,013
Segment liabilities/Total liabilities	53,747,294	21,774,406	20,293,518	247,446	96,062,664
Credit commitments	14,604,090	—	—	—	14,604,090

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

36 Segment reporting (continued)

(1) Business Segment (continued)

	Year ended December 31, 2013				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	2,279,609	313,244	1,509,343	—	4,102,196
Internal net interest income/(expense)	164,586	334,937	(499,523)	—	—
Net interest income	2,444,195	648,181	1,009,820	—	4,102,196
Net fee and commission income	51,780	26,492	83,947	—	162,219
Net trading losses	—	—	(82,343)	—	(82,343)
Net gains arising from investments	—	—	26,755	—	26,755
Other operating income	—	—	—	48,154	48,154
Operating income	2,495,975	674,673	1,038,179	48,154	4,256,981
Operating expenses	(881,032)	(393,399)	(105,290)	(5,829)	(1,385,550)
Impairment losses on assets	(386,561)	(13,439)	—	—	(400,000)
Operating profit	1,228,382	267,835	932,889	42,325	2,471,431
Share of profits of associates	—	—	—	36,060	36,060
Profit before tax	1,228,382	267,835	932,889	78,385	2,507,491
Other segment information					
- Depreciation and amortisation	52,093	25,312	6,208	—	83,613
- Capital expenditure	188,644	91,661	22,480	—	302,785

	December 31, 2013				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	62,423,871	22,504,650	63,434,535	719,906	149,082,962
Deferred tax assets					251,322
Total assets					149,334,284
Segment liabilities/Total liabilities	72,346,796	31,233,827	35,972,557	244,638	139,797,818
Credit commitments	19,075,176	—	—	—	19,075,176

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

36 Segment reporting (continued)

(1) Business Segment (continued)

	Year ended December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	2,218,226	680,160	2,385,665	—	5,284,051
Internal net interest income/(expense)	447,180	328,095	(775,275)	—	—
Net interest income	2,665,406	1,008,255	1,610,390	—	5,284,051
Net fee and commission income	135,594	38,538	173,855	—	347,987
Net trading losses	—	—	(186,412)	—	(186,412)
Net gains arising from investments	—	—	38,042	—	38,042
Other operating income	—	—	—	20,731	20,731
Operating income	2,801,000	1,046,793	1,635,875	20,731	5,504,399
Operating expenses	(1,112,468)	(520,141)	(178,721)	(30,407)	(1,841,737)
Impairment losses on assets	(411,033)	3,074	(89,116)	—	(497,075)
Operating profit	1,277,499	529,726	1,368,038	(9,676)	3,165,587
Share of profits of associates	—	—	—	37,348	37,348
Profit before tax	1,277,499	529,726	1,368,038	27,672	3,202,935
Other segment information					
- Depreciation and amortisation	70,556	34,725	11,616	—	116,897
- Capital expenditure	281,543	138,563	46,353	—	466,459

	December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	78,921,011	31,839,464	92,555,824	634,735	203,951,034
Deferred tax assets					338,175
Total assets					204,289,209
Segment liabilities/Total liabilities	94,377,121	40,016,853	58,201,623	288,034	192,883,631
Credit commitments	30,021,414	94,439	—	—	30,115,853

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

36 Segment reporting (continued)

(1) Business Segment (continued)

	Six months ended June 30, 2014 (unaudited)				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	1,209,268	292,879	903,571	—	2,405,718
Internal net interest income/(expense)	163,606	162,830	(326,436)	—	—
Net interest income	1,372,874	455,709	577,135	—	2,405,718
Net fee and commission income	52,584	21,924	64,119	—	138,627
Net trading gains	—	—	44,809	—	44,809
Net losses arising from investments	—	—	(35,009)	—	(35,009)
Other operating income	—	—	—	6,616	6,616
Operating income	1,425,458	477,633	651,054	6,616	2,560,761
Operating expenses	(466,381)	(215,875)	(74,649)	(23,983)	(780,888)
Impairment losses on assets	(192,307)	2,720	(48,768)	—	(238,355)
Operating profit	766,770	264,478	527,637	(17,367)	1,541,518
Share of profits of associates	—	—	—	16,863	16,863
Profit before tax	766,770	264,478	527,637	(504)	1,558,381
Other segment information					
- Depreciation and amortisation	31,307	15,470	4,631	—	51,408
- Capital expenditure	55,889	27,617	8,267	—	91,773

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

36 Segment reporting (continued)

(1) Business Segment (continued)

	Six months ended June 30, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	1,189,597	437,682	1,657,210	—	3,284,489
Internal net interest income/(expense)	318,715	216,535	(535,250)	—	—
Net interest income	1,508,312	654,217	1,121,960	—	3,284,489
Net fee and commission income	83,619	34,780	213,918	—	332,317
Net trading gains	—	—	160,633	—	160,633
Net gains arising from investments	—	—	25,111	—	25,111
Other operating income	—	—	—	49,089	49,089
Operating income	1,591,931	688,997	1,521,622	49,089	3,851,639
Operating expenses	(497,829)	(315,227)	(89,899)	(17,456)	(920,411)
Impairment losses on assets	(589,089)	(13,664)	(69,193)	—	(671,946)
Operating profit	505,013	360,106	1,362,530	31,633	2,259,282
Share of profits of associates	—	—	—	23,965	23,965
Profit before tax	505,013	360,106	1,362,530	55,598	2,283,247
Other segment information					
- Depreciation and amortisation	42,979	22,314	6,719	—	72,012
- Capital expenditure	80,977	58,701	14,374	—	154,052

	June 30, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	84,180,061	33,434,165	106,401,002	937,979	224,953,207
Deferred tax assets					458,809
Total assets					225,412,016
Segment liabilities/Total liabilities	104,240,060	45,274,916	62,938,472	512,743	212,966,191
Credit commitments	39,329,210	285,515	—	—	39,614,725

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Segment reporting (continued)

(2) Geographical Segment

Geographically, the Bank mainly conducts its business and majority of its customers and non-current assets are located in Henan Province of the PRC.

37 Risk management

The Bank is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Bank's operations. This note mainly presents information about the Bank's exposure to each of the above risks and their sources, the Bank's objectives, policies and processes for measuring and managing risks.

The Bank aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Bank's risk management functions through the Risk Management Committee. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(1) 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 Bank. It arises primarily from credit and debt investments portfolios and guarantees granted.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

Credit business

The Board is responsible for establishing the Bank's risk management strategies and the overall risk tolerance level. The Board also monitors the Bank's risk management process and regularly assesses the Bank's risk position and risk management strategies, ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department is responsible for credit risk management. Departments such as the Corporate Business Department, the Retail Banking Department, Financial Department of Small Business, the Interbank Department and the Financial Markets Department carry out credit businesses according to the Bank's risk management policies and procedures.

The Bank 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 collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral 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.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

Treasury Business

The Bank's treasury business is exposed to the credit risk associated with the investment business and interbank business. The Bank manages the credit risk exposures by setting up credit limits on its treasure business and interbank business. Credit risk exposure is closely monitored on a systematic and real-time basis. Credit risk limits are reviewed and updated regularly.

(a) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the Relevant Periods. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the Relevant Periods is disclosed in Note 39(1).

(b) Loans and advances to customers

	December 31,			June 30,
	2012	2013	2014	2015
Gross balance of loans and advances to customers				
Neither overdue nor impaired	49,524,448	61,983,583	76,111,086	82,694,577
Overdue but not impaired	399,607	629,351	1,291,612	2,758,762
Impaired	236,968	330,818	583,416	916,156
Sub-total	50,161,023	62,943,752	77,986,114	86,369,495
Less: allowance for impairment losses				
Neither overdue nor impaired	(817,752)	(1,207,378)	(1,348,191)	(1,514,337)
Overdue but not impaired	(65,073)	(55,177)	(186,513)	(470,186)
Impaired	(124,945)	(145,215)	(225,220)	(309,517)
Sub-total	(1,007,770)	(1,407,770)	(1,759,924)	(2,294,040)
Net balance				
Neither overdue nor impaired	48,706,696	60,776,205	74,762,895	81,180,240
Overdue but not impaired	334,534	574,174	1,105,099	2,288,576
Impaired	112,023	185,603	358,196	606,639
	49,153,253	61,535,982	76,226,190	84,075,455

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

(b) Loans and advances to customers (continued)

(i) Neither overdue nor impaired

Credit risk of loans and advances to customers neither overdue nor impaired was analysed as follows:

	December 31,			June 30,
	2012	2013	2014	2015
Corporate loans and advances	39,577,955	46,910,618	54,837,025	59,664,672
Personal loans and advances	9,946,493	15,072,965	21,274,061	23,029,905
Total gross balance	49,524,448	61,983,583	76,111,086	82,694,577

(ii) Overdue but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Bank which were overdue but not impaired as at the end of each of the Relevant Periods.

	December 31, 2012				
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	Total
Corporate loans and advances	145,791	5,000	11,970	—	162,761
Personal loans and advances	157,774	51,000	27,872	200	236,846
Total gross balance	303,565	56,000	39,842	200	399,607

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

(b) Loans and advances to customers (continued)

(ii) Overdue but not impaired (continued)

	December 31, 2013				
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	Total
Corporate loans and advances	167,445	386,758	2,000	4,000	560,203
Personal loans and advances	18,906	2,085	48,157	—	69,148
Total gross balance	186,351	388,843	50,157	4,000	629,351

	December 31, 2014				
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	Total
Corporate loans and advances	283,849	807,427	95,286	—	1,186,562
Personal loans and advances	48,678	9,563	46,809	—	105,050
Total gross balance	332,527	816,990	142,095	—	1,291,612

	June 30, 2015				
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	Total
Corporate loans and advances	946,944	1,572,098	189,107	—	2,708,149
Personal loans and advances	17,539	27,203	5,871	—	50,613
Total gross balance	964,483	1,599,301	194,978	—	2,758,762

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

(b) Loans and advances to customers (continued)

(ii) Overdue but not impaired (continued)

	December 31,			June 30,
	2012	2013	2014	2015
Fair value of collaterals held against loans and advances overdue but not impaired	437,796	490,842	697,064	1,930,532

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Impaired loans

	December 31,			June 30,
	2012	2013	2014	2015
Corporate loans and advances	232,870	296,570	567,991	880,040
Personal loans and advances	4,098	34,248	15,425	36,116
Total	236,968	330,818	583,416	916,156
% of total loans and advances	0.47%	0.53%	0.75%	1.06%
Allowance for impairment losses				
- Corporate loans and advances	123,127	134,975	219,933	295,851
- Personal loans and advances	1,818	10,240	5,287	13,666
Total	124,945	145,215	225,220	309,517
Fair value of collaterals held against impaired loans and advances	114,000	165,334	122,699	237,339

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

(b) Loans and advances to customers (continued)

(iii) Impaired loans (continued)

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iv) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Bank and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrowers' financial conditions or of the borrowers' inabilities to make payments when due. The Bank reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Bank typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Rescheduling is most commonly applied to term loans. There were no rescheduled loans as at December 31, 2012, 2013 and 2014 and June 30, 2015.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

(c) Amounts due from banks and other financial institutions

The Bank adopts a credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	December 31,			June 30,
	2012	2013	2014	2015
Gross balance				
Neither overdue nor impaired				
− grade A to AAA	4,143,131	12,034,516	7,523,937	13,143,036
− grade B to BBB	120,208	2,312,402	884,339	635,341
− unrated	2,485	2,489	2,492	2,494
Sub-total	4,265,824	14,349,407	8,410,768	13,780,871
Gross balance				
Impaired				
− grade A to AAA	61	61	—	—
Less: allowance for impairment losses				
− grade A to AAA	(61)	(61)	—	—
Sub-total	—	—	—	—
Net balance				
− grade A to AAA	4,143,131	12,034,516	7,523,937	13,143,036
− grade B to BBB	120,208	2,312,402	884,339	635,341
− unrated	2,485	2,489	2,492	2,494
Total	4,265,824	14,349,407	8,410,768	13,780,871

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

(d) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Bank's total credit risk exposures of debt securities by types of issuers:

	December 31,			June 30,
	2012	2013	2014	2015
Carrying amount				
Neither overdue nor impaired				
- Government	2,534,002	5,091,010	7,159,737	7,667,946
- Policy banks	9,582,748	11,138,282	16,190,532	19,922,958
- Banks and other financial institutions	219,353	865,316	2,386,269	1,139,385
- Corporate	4,042,039	7,834,247	10,145,830	8,257,007
Total	16,378,142	24,928,855	35,882,368	36,987,296

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(1) Credit risk (continued)

(e) Financial investments classified as loans and receivables

	December 31,			June 30,
	2012	2013	2014	2015
Gross balance of financial investments classified as loans and receivables				
Neither overdue nor impaired	13,189,200	22,427,400	45,337,370	51,291,286
Overdue but not impaired	—	—	180,000	820,000
Impaired	—	—	90,000	90,000
Sub-total	13,189,200	22,427,400	45,607,370	52,201,286
Less: allowance for impairment losses				
Neither overdue nor impaired	(15,897)	(15,897)	(79,195)	(117,268)
Overdue but not impaired	—	—	(390)	(3,201)
Impaired	—	—	(25,428)	(25,428)
Sub-total	(15,897)	(15,897)	(105,013)	(145,897)
Net balance				
Neither overdue nor impaired	13,173,303	22,411,503	45,258,175	51,174,018
Overdue but not impaired	—	—	179,610	816,799
Impaired	—	—	64,572	64,572
	13,173,303	22,411,503	45,502,357	52,055,389
Fair value of collaterals held against financial investments classified as loans and receivables overdue but not impaired	—	—	300,430	1,589,000
Fair value of collaterals held against impaired financial investments classified as loans and receivables	—	—	64,572	64,572

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk

Market risk is the risk of loss, in respect of the Bank's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the senior management. The Financial Markets Department is responsible for identifying, measuring, monitoring and reporting the market risk.

The Bank employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Bank's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Bank's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Bank's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Bank's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Bank's on/off-balance sheet items.

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 Bank's economic value.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(a) Interest rate risk

The Bank is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(i) 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 causes the Bank's income or its inherent economic value to vary with the movement in interest rates.

The Finance and Accounting Department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Bank 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.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(i) Repricing risk (continued)

The following tables indicate the assets and liabilities analysis 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:

	December 31, 2012					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	18,435,841	716,702	17,719,139	—	—	—
Deposits with banks and other financial institutions	2,084,506	2,000	2,082,506	—	—	—
Financial assets held under resale agreements	2,181,318	—	2,181,318	—	—	—
Loans and advances to customers (Note (i))	49,153,253	—	40,221,499	8,915,221	16,016	517
Investments (Note (ii))	29,972,946	91,501	6,616,271	3,556,135	13,209,652	6,499,387
Others	1,906,149	1,906,149	—	—	—	—
Total assets	103,734,013	2,716,352	68,820,733	12,471,356	13,225,668	6,499,904
Liabilities						
Deposits/placements from banks and other financial institutions	8,127,810	—	3,439,310	4,438,500	250,000	—
Financial assets sold under repurchase agreements	11,328,308	—	9,721,308	1,607,000	—	—
Deposits from customers	74,654,469	117,251	51,351,316	17,308,982	5,876,920	—
Debt securities issued	690,000	—	—	—	690,000	—
Others	1,262,077	1,262,077	—	—	—	—
Total liabilities	96,062,664	1,379,328	64,511,934	23,354,482	6,816,920	—
Asset-liability gap	7,671,349	1,337,024	4,308,799	(10,883,126)	6,408,748	6,499,904

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(i) Repricing risk (continued)

	December 31, 2013					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	22,980,122	685,206	22,294,916	—	—	—
Deposits/placements with banks and other financial institutions	7,082,052	2,000	2,640,052	2,576,500	1,863,500	—
Financial assets held under resale agreements	7,267,355	—	6,167,355	1,100,000	—	—
Loans and advances to customers (Note (i))	61,535,982	—	50,553,538	10,968,477	13,505	462
Investments (Note (ii))	47,847,919	127,562	4,878,433	7,673,298	27,420,629	7,747,997
Others	2,620,854	2,620,854	—	—	—	—
Total assets	149,334,284	3,435,622	86,534,294	22,318,275	29,297,634	7,748,459
Liabilities						
Amounts due to central bank	175,010	—	175,010	—	—	—
Deposits/placements from banks and other financial institutions	16,212,739	—	9,572,739	5,140,000	1,500,000	—
Financial assets sold under repurchase agreements	13,490,141	—	12,689,100	801,041	—	—
Deposits from customers	102,096,803	53,197	66,334,989	24,444,085	11,264,509	23
Debt securities issued	5,690,000	—	—	690,000	5,000,000	—
Others	2,133,125	2,133,125	—	—	—	—
Total liabilities	139,797,818	2,186,322	88,771,838	31,075,126	17,764,509	23
Asset-liability gap	9,536,466	1,249,300	(2,237,544)	(8,756,851)	11,533,125	7,748,436

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(i) Repricing risk (continued)

	December 31, 2014					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	33,854,830	704,891	33,149,939	—	—	—
Deposits with banks and other financial institutions	1,835,245	28,883	161,862	789,000	855,500	—
Financial assets held under resale agreements	6,575,523	—	6,415,273	160,250	—	—
Loans and advances to customers (Note (i))	76,226,190	—	71,704,357	4,443,925	76,783	1,125
Investments (Note (ii))	82,645,653	154,508	24,616,526	13,651,263	36,239,266	7,984,090
Others	3,151,768	3,151,768	—	—	—	—
Total assets	204,289,209	4,040,050	136,047,957	19,044,438	37,171,549	7,985,215
Liabilities						
Deposits/placements from banks and other financial institutions	33,190,408	—	9,875,408	21,235,000	2,080,000	—
Financial assets sold under repurchase agreements	15,782,600	—	15,782,600	—	—	—
Deposits from customers	132,561,375	128,007	87,454,423	27,602,003	16,516,602	860,340
Debt securities issued	8,503,833	3,833	—	1,500,000	7,000,000	—
Others	2,845,415	2,845,415	—	—	—	—
Total liabilities	192,883,631	2,977,255	113,112,431	50,337,003	25,596,602	860,340
Asset-liability gap	11,405,578	1,062,795	22,935,526	(31,292,565)	11,574,947	7,124,875

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(i) Repricing risk (continued)

	June 30, 2015					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	32,693,771	997,708	31,696,063	—	—	—
Deposits/placements with banks and other financial institutions	5,107,123	30,677	1,719,996	2,500,950	855,500	—
Financial assets held under resale agreements	8,673,748	—	8,673,748	—	—	—
Loans and advances to customers (Note (i))	84,075,455	—	79,309,942	4,765,513	—	—
Investments (Note (ii))	90,975,671	178,473	37,002,799	12,369,870	35,297,791	6,126,738
Others	3,886,248	3,886,248	—	—	—	—
Total assets	225,412,016	5,093,106	158,402,548	19,636,333	36,153,291	6,126,738
Liabilities						
Deposits/placements from banks and other financial institutions	31,784,607	—	15,393,257	14,891,350	1,500,000	—
Financial assets sold under repurchase agreements	12,022,677	—	12,022,677	—	—	—
Deposits from customers	146,162,618	451,902	84,679,303	38,272,931	22,758,459	23
Debt securities issued	18,584,732	—	1,593,162	12,391,570	4,600,000	—
Others	4,411,557	4,411,557	—	—	—	—
Total liabilities	212,966,191	4,863,459	113,688,399	65,555,851	28,858,459	23
Asset-liability gap	12,445,825	229,647	44,714,149	(45,919,518)	7,294,832	6,126,715

Notes:

(i) For the Bank's loans and advances to customers, the category "Within three months (inclusive)" as at December 31, 2012, 2013 and 2014, and June 30, 2015 includes overdue amounts (net of allowance for impairment losses) of RMB447 million, RMB760 million, RMB1,463 million and RMB2,895 million, respectively.

(ii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates, the category "Within three months (inclusive)" as at December 31, 2012, 2013 and 2014, and June 30, 2015 includes overdue amounts (net of allowance for impairment losses) of nil, nil, RMB244 million and RMB881 million, respectively.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

(ii) Interest rate sensitivity analysis

	December 31,			June 30,
	2012	2013	2014	2015
Change in net profit	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
Up 100 bps parallel shift in yield curves	(28,902)	(66,039)	(4,004)	77,059
Down 100 bps parallel shift in yield curves	28,902	66,039	4,004	(77,059)

	December 31,			June 30,
	2012	2013	2014	2015
Change in equity	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
Up 100 bps parallel shift in yield curves	(58,006)	(73,740)	(100,873)	70,462
Down 100 bps parallel shift in yield curves	58,006	73,740	100,873	(70,462)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Bank's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

— All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;

— 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, all the position will be held and keep unchanged after matured; 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 Bank's net profit and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(b) Currency risk

The Bank's currency risk mainly arises from foreign currency loans and deposits from customers. The Bank manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Bank's currency exposures as at the end of each of the Relevant Periods are as follows:

	December 31, 2012			
	RMB	USD	Others	Total
		(RMB Equivalent)	*(RMB Equivalent)*	*(RMB Equivalent)*
Assets				
Cash and deposits with central bank	18,435,841	—	—	18,435,841
Deposits with banks and other financial institutions	2,084,506	—	—	2,084,506
Financial assets held under resale agreements	2,181,318	—	—	2,181,318
Loans and advances to customers	49,153,253	—	—	49,153,253
Investments (Note (i))	29,972,946	—	—	29,972,946
Others	1,906,149	—	—	1,906,149
Total assets	103,734,013	—	—	103,734,013
Liabilities				
Deposits/placements from banks and other financial institutions	8,127,810	—	—	8,127,810
Financial assets sold under repurchase agreements	11,328,308	—	—	11,328,308
Deposits from customers	74,654,469	—	—	74,654,469
Debt securities issued	690,000	—	—	690,000
Others	1,262,077	—	—	1,262,077
Total liabilities	96,062,664	—	—	96,062,664
Net position	7,671,349	—	—	7,671,349
Off-balance sheet credit commitments	14,604,090	—	—	14,604,090

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	December 31, 2013			
	RMB	USD	Others	Total
		(RMB Equivalent)	*(RMB Equivalent)*	*(RMB Equivalent)*
Assets				
Cash and deposits with central bank	22,980,122	—	—	22,980,122
Deposits/placements with banks and other institutions	6,960,982	121,070	—	7,082,052
Financial assets held under resale agreements	7,267,355	—	—	7,267,355
Loans and advances to customers	61,535,982	—	—	61,535,982
Investments (Note (i))	47,847,919	—	—	47,847,919
Others	2,620,854	—	—	2,620,854
Total assets	149,213,214	121,070	—	149,334,284
Liabilities				
Amounts due to central bank	175,010	—	—	175,010
Deposits/placements from banks and other financial institutions	16,212,739	—	—	16,212,739
Financial assets sold under repurchase agreements	13,490,141	—	—	13,490,141
Deposits from customers	102,096,750	6	47	102,096,803
Debt securities issued	5,690,000	—	—	5,690,000
Others	2,133,125	—	—	2,133,125
Total liabilities	139,797,765	6	47	139,797,818
Net position	9,415,449	121,064	(47)	9,536,466
Off-balance sheet credit commitments	19,075,176	—	—	19,075,176

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	December 31, 2014			
	RMB	USD	Others	Total
		(RMB Equivalent)	*(RMB Equivalent)*	*(RMB Equivalent)*
Assets				
Cash and deposits with central bank	33,854,550	27	253	33,854,830
Deposits with banks and other financial institutions	1,772,498	62,688	59	1,835,245
Financial assets held under resale agreements	6,575,523	—	—	6,575,523
Loans and advances to customers	76,151,380	74,730	80	76,226,190
Investments (Note (i))	82,645,653	—	—	82,645,653
Others	3,151,768	—	—	3,151,768
Total assets	204,151,372	137,445	392	204,289,209
Liabilities				
Deposits/placements from Banks and other financial institutions	33,187,313	3,095	—	33,190,408
Financial assets sold under repurchase agreements	15,782,600	—	—	15,782,600
Deposits from customers	132,554,664	6,631	80	132,561,375
Debt securities issued	8,503,833	—	—	8,503,833
Others	2,845,414	1	—	2,845,415
Total liabilities	192,873,824	9,727	80	192,883,631
Net position	11,277,548	127,718	312	11,405,578
Off-balance sheet credit commitments	30,109,161	6,692	—	30,115,853

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	June 30, 2015			
	RMB	USD	Others	Total
		(RMB Equivalent)	*(RMB Equivalent)*	*(RMB Equivalent)*
Assets				
Cash and deposits with central bank	32,596,240	96,435	1,096	32,693,771
Deposits/placements with banks and other financial institutions	2,091,178	3,015,887	58	5,107,123
Financial assets held under resale agreements	8,673,748	—	—	8,673,748
Loans and advances to customers	83,830,911	244,544	—	84,075,455
Investments (Note (i))	90,975,671	—	—	90,975,671
Others	3,845,829	40,419	—	3,886,248
Total assets	222,013,577	3,397,285	1,154	225,412,016
Liabilities				
Deposits/placements from banks and other financial institutions	31,784,607	—	—	31,784,607
Financial assets sold under repurchase agreements	12,022,677	—	—	12,022,677
Deposits from customers	142,892,308	3,270,231	79	146,162,618
Debt securities issued	18,584,732	—	—	18,584,732
Others	4,279,809	130,685	1,063	4,411,557
Total liabilities	209,564,133	3,400,916	1,142	212,966,191
Net position	12,449,444	(3,631)	12	12,445,825
Off-balance sheet credit commitments	39,417,905	196,820	—	39,614,725

Note:

(i) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	December 31,			June 30,
	2012	2013	2014	2015
Change in net profit and equity	**Increase/ (decrease)**	**Increase/ (decrease)**	**Increase/ (decrease)**	**Increase/ (decrease)**
Up 100 bps change of foreign exchange rate	—	148	155	(4)
Down 100 bps change of foreign exchange rate	—	(148)	(155)	4

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

— The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;

— The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;

— The foreign currency exposures calculated includes spot and forward foreign exchange exposures and swaps, and all the position will be held and keep unchanged after mature; and

— The analysis does not take into account the effect of risk management measures taken by the Bank.

Due to the assumptions adopted, actual changes in the Bank's net profit and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(3) 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 meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Bank has implemented the centralised management of the bank-wide liquidity risk by the head office, and established the Risk Management Committee, the Asset and Liability Management Committee and the Finance and Accounting Department at the head office. The responsibilities of them are as following:

— the Risk Management Committee and the Asset and Liability Management Committee are the decision-making bodies for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;

— the Finance and Accounting Department is the liquidity risk management department and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators; formulating, implementing and evaluating relevant systems, setting the bank-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; regularly carrying out risk analysis and reporting to the Risk Management Committee and the Asset and Liability Management Committee.

The Bank manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including loan to deposit ratio, liquidity ratio, reserve ratio, liquidity gap ratio, and etc.

The Bank also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Bank'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 major source of funds.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Relevant Periods:

	December 31, 2012						
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Assets							
Cash and deposits with central bank	13,265,804	5,170,037	—	—	—	—	18,435,841
Deposits with banks and other financial institutions	—	35,506	1,000,000	—	1,049,000	—	2,084,506
Financial assets held under resale agreements	—	—	2,181,318	—	—	—	2,181,318
Loans and advances to customers	205,318	241,239	14,274,217	32,327,202	1,982,192	123,085	49,153,253
Investments	91,501	—	609,297	2,018,201	19,390,475	7,863,472	29,972,946
Others	1,489,839	8	247,735	166,746	1,821	—	1,906,149
Total assets	15,052,462	5,446,790	18,312,567	34,512,149	22,423,488	7,986,557	103,734,013
Liabilities							
Deposits/placements from banks and other financial institutions	—	482,310	2,957,000	4,438,500	250,000	—	8,127,810
Financial assets sold under repurchase agreements	—	—	9,721,308	1,607,000	—	—	11,328,308
Deposits from customers	—	43,063,225	8,405,342	17,308,982	5,876,920	—	74,654,469
Debt securities issued	—	—	—	—	690,000	—	690,000
Others	10,652	160,855	782,691	28,495	227,009	52,375	1,262,077
Total liabilities	10,652	43,706,390	21,866,341	23,382,977	7,043,929	52,375	96,062,664
Long/(short) position	15,041,810	(38,259,600)	(3,553,774)	11,129,172	15,379,559	7,934,182	7,671,349

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	December 31, 2013						
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Assets							
Cash and deposits with central bank	17,558,308	5,421,814	—	—	—	—	22,980,122
Deposits/placements with banks and other financial institutions	—	188,052	2,454,000	2,576,500	1,863,500	—	7,082,052
Financial assets held under resale agreements	—	—	6,167,355	1,100,000	—	—	7,267,355
Loans and advances to customers	600,397	159,380	12,989,752	40,071,952	3,672,722	4,041,779	61,535,982
Investments	127,561	—	478,795	5,872,394	33,621,172	7,747,997	47,847,919
Others	1,908,914	41	418,326	290,431	3,142	—	2,620,854
Total assets	20,195,180	5,769,287	22,508,228	49,911,277	39,160,536	11,789,776	149,334,284
Liabilities							
Amounts due to central bank	—	—	175,010	—	—	—	175,010
Deposits/placements from banks and other financial institutions	—	—	9,572,739	5,140,000	1,500,000	—	16,212,739
Financial assets sold under repurchase agreements	—	—	12,689,100	801,041	—	—	13,490,141
Deposits from customers	—	52,378,219	14,009,967	24,444,085	11,264,509	23	102,096,803
Debt securities issued	—	—	—	690,000	5,000,000	—	5,690,000
Others	5,000	153,080	1,673,045	38,232	195,876	67,892	2,133,125
Total liabilities	5,000	52,531,299	38,119,861	31,113,358	17,960,385	67,915	139,797,818
Long/(short) position	20,190,180	(46,762,012)	(15,611,633)	18,797,919	21,200,151	11,721,861	9,536,466

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	December 31, 2014						
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Assets							
Cash and deposits with central bank	23,936,113	9,918,717	—	—	—	—	33,854,830
Deposits with banks and other financial institutions	—	170,745	20,000	789,000	855,500	—	1,835,245
Financial assets held under resale agreements	—	—	6,415,273	160,250	—	—	6,575,523
Loans and advances to customers	1,175,573	355,534	16,264,182	40,612,931	10,959,059	6,858,911	76,226,190
Investments	398,690	—	6,244,295	22,669,185	44,941,016	8,392,467	82,645,653
Others	2,189,289	597	566,708	393,718	1,456	—	3,151,768
Total assets	27,699,665	10,445,593	29,510,458	64,625,084	56,757,031	15,251,378	204,289,209
Liabilities							
Deposits/placements from banks and other financial institutions	—	—	9,875,408	21,235,000	2,080,000	—	33,190,408
Financial assets sold under repurchase agreements	—	—	15,782,600	—	—	—	15,782,600
Deposits from customers	—	60,498,905	27,083,525	27,602,003	16,516,602	860,340	132,561,375
Debt securities issued	—	—	—	1,503,833	7,000,000	—	8,503,833
Others	3,880	306,788	2,195,639	47,764	195,031	96,313	2,845,415
Total liabilities	3,880	60,805,693	54,937,172	50,388,600	25,791,633	956,653	192,883,631
Long/(short) position	27,695,785	(50,360,100)	(25,426,714)	14,236,484	30,965,398	14,294,725	11,405,578

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	June 30, 2015						
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Assets							
Cash and deposits with central bank	23,580,241	9,113,530	—	—	—	—	32,693,771
Deposits/placements with banks and other financial institutions	—	1,310,673	440,000	2,500,950	855,500	—	5,107,123
Financial assets held under resale agreements	—	—	8,673,748	—	—	—	8,673,748
Loans and advances to customers	2,001,747	1,159,519	16,993,969	45,324,284	11,455,397	7,140,539	84,075,455
Investments	701,000	358,844	18,177,914	26,279,985	38,920,546	6,537,382	90,975,671
Others	2,757,237	21,115	598,438	509,458	—	—	3,886,248
Total assets	29,040,225	11,963,681	44,884,069	74,614,677	51,231,443	13,677,921	225,412,016
Liabilities							
Deposits/placements from banks and other financial institutions	—	—	15,393,257	14,891,350	1,500,000	—	31,784,607
Financial assets sold under repurchase agreements	—	—	12,022,677	—	—	—	12,022,677
Deposits from customers	—	62,203,316	22,927,889	38,272,931	22,758,459	23	146,162,618
Debt securities issued	—	—	1,593,162	12,391,570	4,600,000	—	18,584,732
Others	28,308	1,554,878	2,357,767	132,309	239,878	98,417	4,411,557
Total liabilities	28,308	63,758,194	54,294,752	65,688,160	29,098,337	98,440	212,966,191
Long/(short) position	29,011,917	(51,794,513)	(9,410,683)	8,926,517	22,133,106	13,579,481	12,445,825

Notes:

Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates. The "indefinite" period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in "repayable on demand".

For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the "indefinite" period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in "repayable on demand".

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(3) Liquidity risk (continued)

(b) Analysis on contractual undiscounted cash flows of financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flows of the non-derivative financial liabilities at the end of each of the Relevant Periods:

	December 31, 2012					
	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Deposits/placements from banks and other financial institutions ..	8,299,228	482,310	2,985,610	4,567,608	263,700	—
Financial assets sold under repurchase agreements	11,417,245	—	9,789,073	1,628,172	—	—
Deposits from customers................	75,485,854	43,063,677	8,412,584	17,376,539	6,633,054	—
Debt securities issued	779,700	—	—	44,850	734,850	—
Total non-derivative financial liabilities	95,982,027	43,545,987	21,187,267	23,617,169	7,631,604	—

	December 31, 2013					
	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Amounts due to central bank...........	175,779	—	175,779	—	—	—
Deposits/placements from banks and other financial institutions ..	16,910,463	—	9,654,450	5,302,086	1,953,927	—
Financial assets sold under repurchase agreements	13,521,510	—	12,706,609	814,901	—	—
Deposits from customers................	104,305,240	52,378,867	14,068,800	24,905,387	12,951,947	239
Debt securities issued	6,643,760	—	—	924,720	5,719,040	—
Total non-derivative financial liabilities	141,556,752	52,378,867	36,605,638	31,947,094	20,624,914	239

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(3) Liquidity risk (continued)

(b) Analysis on contractual undiscounted cash flows of financial liabilities (continued)

	December 31, 2014					
	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Deposits/placements from banks and other financial institutions	34,302,023	—	9,950,610	21,866,302	2,485,111	—
Financial assets sold under repurchase agreements	15,797,037	—	15,797,037	—	—	—
Deposits from customers	136,277,456	60,499,562	27,213,370	28,105,183	19,380,124	1,079,217
Debt securities issued	9,826,540	—	—	1,883,820	7,942,720	—
Total non-derivative financial liabilities	196,203,056	60,499,562	52,961,017	51,855,305	29,807,955	1,079,217

	June 30, 2015					
	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Deposits/placements from banks and other financial institutions	32,733,637	—	15,495,126	15,426,083	1,812,428	—
Financial assets sold under repurchase agreements	12,026,103	—	12,026,103	—	—	—
Deposits from customers	150,920,060	62,203,972	23,474,244	39,610,653	25,631,165	26
Debt securities issued	19,907,320	—	1,600,000	12,999,320	5,308,000	—
Total non-derivative financial liabilities	215,587,120	62,203,972	52,595,473	68,036,056	32,751,593	26

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flows might vary from actual results.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(4) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Bank has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Bank's measures to manage the operational risk mainly include:

— making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;

— establishing a supervision system combining "on-site and off-site", "regular and special", "self and external" examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralized operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;

— the Compliance Department, the Risk Management Department and the Internal Audit Office constitute "three lines of defense" for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;

— establishing a compulsory leave and rotation policies to staff in key position or important process;

— establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and

— establishing a mechanism for emergency management and business continuity.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(5) Capital management

The Bank manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Bank's capital management, reflecting capacity of the Bank for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Bank follows the principles below with regard to capital management:

— monitor levels of asset quality based on the Bank's business strategy and maintain adequate capital to support the implementation of the Bank's strategic development plan and meet the regulatory requirements; and

— effectively identify, quantify, monitor, mitigate and control the major risks to which the Bank is exposed, and maintain the appropriate level of capital after considering the Bank's risk exposure and risk management needs.

The Bank monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(5) Capital management (continued)

The Bank calculates the capital adequacy ratios as at December 31, 2012 in accordance with the Regulation Governing Capital Adequacy of Commercial Banks (商業銀行資本充足率管理辦法) issued by the CBRC in 2004 as follows:

	Note	December 31, 2012
Core capital		
- Share capital		3,941,932
- Qualifying portion of capital reserve		72,927
- Surplus reserve		465,592
- General reserve		1,033,200
- Retained earnings	(i)	2,086,945
		7,600,596
Less: 50% of unconsolidated equity investments and others		(83,195)
Net core capital		7,517,401
Supplementary capital		
- General provision for loan impairment		793,616
- Long term subordinated debts		690,000
- Others		51,683
		1,535,299
Total capital base before deduction		9,135,895
Deduction		
- Unconsolidated equity investments and others		(166,391)
Total capital base after deductions		8,969,504
Total risk-weighted assets	(ii)	58,762,628
Core capital adequacy ratio		12.79%
Capital adequacy ratio		15.26%

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Risk management (continued)

(5) Capital management (continued)

The Bank calculates the capital adequacy ratios as at December 31, 2013, 2014 and June 30, 2015 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the CBRC in 2012 and relevant requirements promulgated by the CBRC as follows:

	Note	December 31,		June 30,
		2013	2014	2015
Total core tier-one capital				
- Share capital		3,941,932	3,941,932	3,941,932
- Qualifying portion of capital reserve		77,872	75,191	74,330
- Surplus reserve		655,777	902,085	902,085
- General reserve		1,623,200	2,313,200	2,313,200
- Retained earnings		3,237,685	4,173,170	5,214,278
Core tier-one capital		9,536,466	11,405,578	12,445,825
Core tier-one capital deductions		(156,044)	(213,847)	(239,474)
Net core tier-one capital		9,380,422	11,191,731	12,206,351
Net tier-one capital		9,380,422	11,191,731	12,206,351
Tier-two capital				
- Qualifying portions of tier-two capital instruments issued		621,000	2,000,000	2,000,000
- Surplus provision for loan impairment		1,016,678	1,176,508	1,377,885
Net tier-two capital		1,637,678	3,176,508	3,377,885
Net capital base		11,018,100	14,368,239	15,584,236
Total risk-weighted assets	(iii)	91,208,047	129,223,332	142,760,085
Core tier-one capital adequacy ratio		10.28%	8.66%	8.55%
Tier-one capital adequacy ratio		10.28%	8.66%	8.55%
Capital adequacy ratio		12.08%	11.12%	10.92%

Notes:

(i) Dividends proposed to be declared by the Bank have been deducted in calculating the net capital and net core capital.

(ii) The balances of risk-weighted assets include an amount equal to 12.5 times the Bank's market risk capital and the Bank's operational risk capital.

(iii) Both the on-balance and off-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 as well as any eligible collateral or guarantees.

(iv) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (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), the CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 8.5%, 6.5% and 5.5%, respectively at December 31, 2013 and 8.9%, 6.9% and 5.9%, respectively, at December 31, 2014.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Fair value

(1) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Bank's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

Level 3: Fair value measured using significant unobservable inputs

The Bank has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Bank adopts the following methods and assumptions when evaluating fair values:

(a) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(b) 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 each of the Relevant Periods.

(c) 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 each 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 each of the Relevant Periods.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Fair value (continued)

(2) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss				
- debt instruments	369,898	6,334,633	—	6,704,531
Available-for-sale financial assets				
- debt instruments	—	2,576,076	330,000	2,906,076
Total	369,898	8,910,709	330,000	9,610,607

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss				
- debt instruments	—	7,990,374	—	7,990,374
Available-for-sale financial assets				
- debt instruments	—	208,080	380,000	588,080
Total	—	8,198,454	380,000	8,578,454

	December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss				
- debt instruments	208,332	10,759,035	—	10,967,367
Available-for-sale financial assets				
- debt instruments	—	2,850,361	1,106,420	3,956,781
Total	208,332	13,609,396	1,106,420	14,924,148

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Fair value (continued)

(2) Financial instruments recorded at fair value (continued)

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss				
- debt instruments	—	15,166,847	—	15,166,847
Available-for-sale financial assets				
- debt instruments	—	204,998	1,754,513	1,959,511
Total	—	15,371,845	1,754,513	17,126,358

(3) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

	January 1, 2012	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to Level 2 from Level 3	December 31, 2012
Financial assets:								
Available-for-sale financial assets								
- Debt instruments	300,000	25,073	—	30,000	—	(25,073)	—	330,000

	January 1, 2013	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to Level 2 from Level 3	December 31, 2013
Financial assets:								
Available-for-sale financial assets								
- Debt instruments	330,000	26,619	—	50,000	—	(26,619)	—	380,000

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Fair value (continued)

(3) Movement in level 3 financial instruments measured at fair value (continued)

	January 1, 2014	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to Level 2 from Level 3	December 31, 2014
Financial assets:								
Available-for-sale financial assets								
- Debt instruments......	380,000	30,380	—	786,420	(60,000)	(30,380)	—	1,106,420

	January 1, 2015	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to Level 2 from Level 3	June 30, 2015
Financial assets:								
Available-for-sale financial assets								
- Debt instruments......	1,106,420	40,837	—	1,434,514	(786,421)	(40,837)	—	1,754,513

During the Relevant Periods, there were no significant transfers between instruments between Level 1 and Level 2; Level 2 and Level 3.

During the Relevant Periods, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Fair value (continued)

(4) Fair value of financial assets and liabilities not carried at fair value

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments and debt securities issued:

	December 31, 2012				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	7,097,535	7,210,069	753,546	6,456,523	—
Total	7,097,535	7,210,069	753,546	6,456,523	—
Financial liabilities					
Debt securities issued					
- Subordinated debts	690,000	690,713	—	690,713	—
Total	690,000	690,713	—	690,713	—

	December 31, 2013				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	16,730,401	16,189,339	1,185,974	15,003,365	—
Total	16,730,401	16,189,339	1,185,974	15,003,365	—
Financial liabilities					
Debt securities issued					
- Financial bonds	5,000,000	4,726,401	—	4,726,401	—
- Subordinated debts	690,000	684,427	—	684,427	—
Total	5,690,000	5,410,828	—	5,410,828	—

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

38 Fair value (continued)

(4) Fair value of financial assets and liabilities not carried at fair value (continued)

	December 31, 2014				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	22,064,640	22,409,089	1,507,662	20,901,427	—
Total	22,064,640	22,409,089	1,507,662	20,901,427	—
Financial liabilities					
Debt securities issued					
- Financial bonds	5,000,000	4,973,638	—	4,973,638	—
- Tier-two capital bonds	2,000,000	1,930,890	—	1,930,890	—
- Interbank deposits	1,503,833	1,497,702	—	1,497,702	—
Total	8,503,833	8,402,230	—	8,402,230	—

	June 30, 2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	21,615,451	22,138,308	1,529,328	20,608,980	—
Total	21,615,451	22,138,308	1,529,328	20,608,980	—
Financial liabilities					
Debt securities issued					
- Financial bonds	5,000,000	5,048,148	—	5,048,148	—
- Tier-two capital bonds	2,000,000	2,016,352	—	2,016,352	—
- Interbank deposits	11,584,732	11,549,891	—	11,549,891	—
Total	18,584,732	18,614,391	—	18,614,391	—

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Bank, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

38 Fair value (continued)

(4) Fair value of financial assets and liabilities not carried at fair value (continued)

The fair values of held-to-maturity investments and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets	**Liabilities**
Cash and deposits with central bank	Amounts due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers	Deposits from customers
Financial investments classified as loans and receivables	Other financial liabilities
Other financial assets	

39 Commitments and contingent liabilities

(1) Credit commitments

The Bank's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Commitments and contingent liabilities (continued)

(1) Credit commitments (continued)

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	December 31,			June 30,
	2012	2013	2014	2015
Bank acceptances	14,533,617	17,296,031	26,564,477	35,351,096
Unused credit card commitments	—	—	94,439	285,515
Letters of credit	—	1,452,800	2,618,342	2,790,070
Letters of guarantees	70,473	326,345	838,595	1,188,044
Total	14,604,090	19,075,176	30,115,853	39,614,725

The Bank may be exposed to credit risk in all the above credit businesses. 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.

(2) Credit risk-weighted amount

	December 31,			June 30,
	2012	2013	2014	2015
Credit risk-weighted amount of contingent liabilities and commitments	5,053,839	5,719,158	9,171,844	9,888,431

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Commitments and contingent liabilities (continued)

(3) Operating lease commitments

As at the end of each of the Relevant Periods, the Bank's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	December 31,			June 30,
	2012	2013	2014	2015
Within one year (inclusive)	20,576	23,322	39,222	43,333
After one year but within five years (inclusive)	56,145	71,659	122,188	124,969
After five years	95,916	88,486	54,848	58,582
Total	172,637	183,467	216,258	226,884

(4) Capital commitments

As at the end of each of the Relevant Periods, the Bank's authorised capital commitments are as follows:

	December 31,			June 30,
	2012	2013	2014	2015
Contracted but not pay for	17,483	46,391	27,669	89,038
Approved but not contracted for	—	45,230	45,230	111,413
Total	17,483	91,621	72,899	200,451

(5) Outstanding litigations and disputes

As at December 31, 2012, 2013, 2014 and June 30, 2015, there are no significant legal proceedings outstanding against the Bank.

(6) Pledged assets

	December 31,			June 30,
	2012	2013	2014	2015
Debt securities	12,006,192	13,338,587	16,066,013	12,191,642
Total	12,006,192	13,338,587	16,066,013	12,191,642

Some of the Bank's assets are pledged as collateral under repurchase agreements.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

40 Involvement with unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Bank holds an interest

The Bank holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Bank does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Bank as at December 31, 2012, 2013, 2014 and June 30, 2015 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	December 31, 2012	
	Carrying amount	Maximum exposure
Financial investments		
- Available-for-sale financial assets	330,000	330,000
- Financial investment classified as loans and receivables	12,623,979	12,623,979
Interest receivables	36,663	36,663
Total	12,990,642	12,990,642

	December 31, 2013	
	Carrying amount	Maximum exposure
Financial assets held under resale agreements	3,090,273	3,090,273
Financial investments		
- Available-for-sale financial assets	380,000	380,000
- Financial investment classified as loans and receivables	21,999,295	21,999,295
Interest receivables	85,022	85,022
Total	25,554,590	25,554,590

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

40 Involvement with unconsolidated structured entities (continued)

(1) Structured entities sponsored by third party institutions in which the Bank holds an interest (continued)

	December 31, 2014	
	Carrying amount	Maximum exposure
Financial assets held under resale agreements	1,000,000	1,000,000
Financial investments		
- Available-for-sale financial assets	1,106,420	1,106,420
- Financial investment classified as loans and receivables	45,139,988	45,139,988
Interest receivables	141,102	141,102
Total	47,387,510	47,387,510

	June 30, 2015	
	Carrying amount	Maximum exposure
Financial investments		
- Available-for-sale financial assets	1,754,513	1,754,513
- Financial investment classified as loans and receivables	51,168,278	51,168,278
Interest receivables	155,422	155,422
Total	53,078,213	53,078,213

The maximum exposures to loss in the above investment management products and wealth management products are the amortised cost or the fair value (which is higher) of the assets held by the Bank at the end of each of the Relevant Periods in accordance with the line items of these assets recognised in the statement of financial position.

The interest income arising from the above unconsolidated structured entities for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015 amounted to RMB734 million, RMB1,301 million, RMB2,455 million and RMB1,775 million, respectively.

B NOTES TO FINANCIAL INFORMATION (CONTINUED)
(Expressed in thousands of Renminbi, unless otherwise stated)

40 Involvement with unconsolidated structured entities (continued)

(2) Structured entities sponsored by the Bank which the Bank does not consolidate but holds an interest in

The types of unstructured entities sponsored by the Bank 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 notes to investors. Interest held by the Bank includes fees charged by providing management services.

As at December 31, 2012, 2013 and 2014, and June 30, 2015, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Bank is RMB1,211 million, RMB1,891 million, RMB5,587 million and RMB14,723 million, respectively.

During the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Bank and matured within the corresponding year/period is RMB16 million, RMB16 million, RMB24 million and RMB4 million, respectively.

During the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank and matured within the corresponding year/period is RMB3,258 million, RMB7,458 million, RMB9,644 million and RMB2,186 million, respectively.

41 Fiduciary activities

The Bank commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Bank's assets.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the entrusted loans balance of the Bank is RMB2,524 million, RMB4,011 million, RMB7,957 million and RMB7,009 million, respectively.

42 Subsequent events

A promotors agreement dated July 27, 2015, entered into between the Bank, Zhengzhou Yutong Bus Co., Ltd. and Henan TianLun Gas Group Co., Ltd., in relation to the establishment of Jiuding Financial Leasing Co., Ltd., pursuant to which the registered capital of Jiuding Financial Leasing Co., Ltd. shall be RMB1 billion, among which the Bank agreed to contribute as to 51%. Up to the date of this report, the agreement is still pending for approval from relevant regulatory authority.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Bank 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 the Bank 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.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

1 Liquidity coverage ratios and Leverage Ratio

	December 31, 2012	Average for the year ended December 31, 2012
Liquidity coverage ratio (RMB and foreign currency)	80.29%	71.99%

	December 31, 2013	Average for the year ended December 31, 2013
Liquidity coverage ratio (RMB and foreign currency)	144.05%	124.32%

	December 31, 2014	Average for the year ended December 31, 2014
Liquidity coverage ratio (RMB and foreign currency)	159.08%	208.01%

	June 30, 2015	Average for the six months ended June 30, 2015
Liquidity coverage ratio (RMB and foreign currency)	258.14%	209.35%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

1 Liquidity coverage ratios and Leverage Ratio (continued)

Leverage Ratio

	June 30, 2015
Leverage Ratio	4.65%

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

	December 31, 2012			
	US Dollars	**HK Dollars**	**Others**	**Total**
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	*(RMB equivalent)*
Spot assets	—	—	—	—
Spot liabilities	—	—	—	—
Net position	—	—	—	—

	December 31, 2013			
	US Dollars	**HK Dollars**	**Others**	**Total**
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	*(RMB equivalent)*
Spot assets	121,070	—	—	121,070
Spot liabilities	(6)	(47)	—	(53)
Net position	121,064	(47)	—	121,017

2 Currency concentrations (continued)

	December 31, 2014			
	US Dollars	HK Dollars	Others	Total
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	*(RMB equivalent)*
Spot assets	137,445	186	206	137,837
Spot liabilities	(9,727)	(80)	—	(9,807)
Net position	127,718	106	206	128,030

	June 30, 2015			
	US Dollars	HK Dollars	Others	Total
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	*(RMB equivalent)*
Spot assets	3,397,285	91	1,063	3,398,439
Spot liabilities	(3,400,916)	(79)	(1,063)	(3,402,058)
Net position	(3,631)	12	—	(3,619)

The Bank has no structural position at the Relevant Period ends.

3 International claims

The Bank 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 central banks and amounts due from banks and other financial institutions.

3 International claims (continued)

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.

	December 31, 2012			
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	—	—	—	—
	—	—	—	—

	December 31, 2013			
	Banks and other financial institutions	Public sector entities	Others	Total
North and South America	121,094	—	—	121,094
	121,094	—	—	121,094

	December 31, 2014			
	Banks and other financial institutions	Public sector entities	Others	Total
North and South America	62,700	71,710	3,097	137,507
	62,700	71,710	3,097	137,507

3 International claims (continued)

	As at June 30, 2015			
	Banks and other financial institutions	Public sector entities	Others	Total
North and South America	3,113,398	—	248,529	3,361,927
	3,113,398	—	248,529	3,361,927

4 Gross amount of overdue loans and advances

	December 31,			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)	22,012	40,475	279,448	309,360
— between 6 months and 1 year (inclusive)	149,652	255,029	168,531	586,049
— over 1 year	85,243	89,159	170,225	176,839
Total	256,907	384,663	618,204	1,072,248
As a percentage of total gross loans and Advances				
— between 3 and 6 months (inclusive)	0.04%	0.06%	0.35%	0.36%
— between 6 months and 1 year (inclusive)	0.30%	0.41%	0.22%	0.68%
— over 1 year	0.17%	0.14%	0.22%	0.20%
Total	0.51%	0.61%	0.79%	1.24%

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 illustrative purpose 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 out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma statement of adjusted net tangible assets of Bank of Zhengzhou Co., Ltd. (the "Bank") 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 net tangible assets of the Bank as of June 30, 2015, as if the Global Offering had taken place on June 30, 2015.

The unaudited pro forma statement of adjusted 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 Bank had the Global Offering been completed as of June 30, 2015 or at any future date.

	Net tangible assets as of June 30, 2015	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per share**	
	RMB Million	*RMB Million*	*RMB Million*	*RMB*	*HK$*
	Note (1)	*Note (2)/(5)*	*Note (3)*	*Note (4)*	*Note (5)*
Based on an offer price of HK$3.85 per share	12,358	3,719	16,077	3.13	3.79
Based on an offer price of HK$4.21 per share	12,358	4,070	16,428	3.19	3.87

Notes:

(1) The net tangible assets as of June 30, 2015 is compiled based on the financial information included in the Accountants' Report set out in Appendix I to this prospectus and is based on the net assets of RMB12,446 million less intangible assets of RMB88 million as of June 30, 2015.

(2) The estimated net proceeds from the Global Offering, for the purpose of unaudited pro forma adjusted net tangible assets, are based on the Offer Price of HK$3.85 (being the minimum offer price) and HK$4.21 per H Share (being the maximum offer price) 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 other listing expenses expected to be capitalised upon the Listing and takes no account of any H shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted 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 net tangible assets per share is arrived on the basis of 5,141,931,900 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 RMB0.82534 to HK$1.00, the median rate released by the China Foreign Exchange Trading Center on December 1, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Remnimbi 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 Bank'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

December 11, 2015

TO THE DIRECTORS OF BANK OF ZHENGZHOU CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Bank of Zhengzhou Co., Ltd. (the "Bank") 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 net tangible assets as at June 30, 2015 and related notes as set out in Part A of Appendix III to the prospectus dated December 11, 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 Bank's financial position as at June 30, 2015 as if the Global Offering had taken place at June 30, 2015. As part of this process, information about the Bank's financial position as at June 30, 2015 has been extracted by the Directors from the Bank's historical financial statements 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 Bank 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 at 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 Bank, 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 Bank; 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 VI — "Taxation and Foreign Exchange" to this prospectus. 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 Hong Kong 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 laws and regulations applicable to us. This summary is not intended to include all the information which may be important to the potential investors. For discussion of laws and regulations which are relevant to our business, see "Supervision and Regulation" to this prospectus.

PRC LAWS AND REGULATIONS

A. The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomy regulations, special rules, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the Chinese government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The NPC and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other 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 parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may, provided that the Constitution, laws and administrative regulations are not contravened, formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas. The people's congresses of cities with districts and their standing committees may formulate local regulations on matters the aspects of urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities provided that the constitution, laws, administrative regulations and local regulations of the provinces and autonomous regions are not contravened. Where laws provide otherwise in respect of local regulations formulated by cities with districts, such provisions shall apply. Local regulations of cities with districts shall be put into effect upon approval from the standing committees of the people's congresses of provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the provinces or autonomous regions concerned. When examining the local regulations submitted for approval of cities with districts, the standing committees of the people's congresses of provinces or autonomous regions shall make a handling decision if they find that the regulations are in conflict with the regulations of the people's governments of the provinces or autonomous regions. The people's congresses of the national autonomous areas have the power to formulate autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationality (nationalities).

The ministries and commissions of the State Council, PBoC, the NAO and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the central government and cities with districts, autonomous prefectures may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities directly under the central government.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the laws applicable in a court trial should be interpreted by the Supreme People's Court, issues related to the laws applicable in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the legal issues other than the above-mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the statutes and administrative regulations which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

B. The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and economic divisions, and certain people's courts based on the natures of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions, such as the intellectual property division, if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the People's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at a lower level which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

The judgments or rulings of the second instance at a people's court are final. The parties may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at the next higher level finds an error in a final and binding judgment or ruling which has taken effect in any people's court at a lower level, or the president of a people's court finds an error in a final and binding judgment or ruling which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice may not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality or foreign enterprise or organization is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. The foreign 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 a PRC court. In accordance with the international treaties to which the PRC is a signatory or in which the PRC a participant or the principle of reciprocity, a PRC court and foreign court may request each other to serve legal documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or a relevant international treaty, a foreign judgment or ruling may also be recognized and enforced in accordance with the PRC enforcement procedures by a PRC court based on equitable principles unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or would not be in the public interest.

C. The PRC Company Law, the Special Regulations and the Mandatory Provisions

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. The revised PRC Company Law came into effect on March 1, 2014.

The Special Regulations on the Overseas Offering and the 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》) (the "Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations are formulated in respect of the overseas share offering and listing of joint stock limited companies. Mandatory Provisions jointly promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on August 27, 1994 prescribe the provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix V—"Summary of Articles of Association" to this prospectus. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with H shares.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A "joint stock limited company ("company")" refers to a corporate legal person established in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. 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 following the full payment of subscription money. 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.

A company's promoter shall be liable for:

(i) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated;

(ii) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

(iii) the compensation of any damages suffered by the company as a result of the promoters' default in the course of its incorporation.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber. The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

A company must obtain the approval of CSRC to offer its shares to the overseas public. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H shares, and those shares issued to investors within the PRC, except these regions above, are known as domestic shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of H shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued in addition to the number of underwritten shares.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

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 CSRC, a new share offering prospectus and financial accounting report must be published and a 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 Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of assets;

(ii) the reduction of registered capital must be approved by shareholders at general meeting;

(iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction being passed;

(iv) 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

(v) 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

A company may not purchase its own shares other than for one of the following purposes:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) granting shares to its employees as incentives; and

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or separation.

The acquisition by a company of its own shares on the grounds set out in (i) to (iii) above must be approved by way of a resolution of a shareholders' general meeting. Following the acquisition by a company of its own shares in accordance with these requirements, such shares must be cancelled within 10 days of the date of the acquisition in the case of (i) and transferred or cancelled within six months in the case of (ii) or (iv).

The acquisition by a company of its own shares in accordance with (iii) under the first paragraph of this subsection shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds allocated from the company's profits after taxation, and the shares so acquired shall be transferred to the employees within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or five days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides no registration of share transfer should be made to shareholder registry within thirty days before a shareholders' general meeting or within five days before the benchmark date set by the Bank to distribute dividends.

Shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months of them having left their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board that has not been convened in compliance with the laws or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(iii) to transfer the shares of the shareholders according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' general meetings;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or enquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the supervisory board or supervisors;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of corporate bonds;

(ix) to decide on the issues such as merger, separation, dissolution and liquidation of the company or change of its corporate form;

(x) to amend the company's articles of association; and

(xi) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the laws or less than two-thirds of the number specified in the articles of association;

(ii) the aggregate outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board of directors deems necessary;

(v) the supervisory board so requests; or

(vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting 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 is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over such meeting in a timely manner. If the supervisory board fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

In accordance with the Mandatory Provisions, a notice of the general meeting stating, among other things, matters to be considered at the meeting shall be given to all shareholders 45 days before the meeting. A shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting. The board of directors shall notify other shareholders within two days of receiving such proposal and table it for review by the general meeting. New proposals shall relate to specific subjects and matters for resolution within the authority of the general meeting. A shareholders' general meeting shall not make any resolution in respect of any matters not set out in the above two types of notices. Holders of bearer share certificates who wish to attend a shareholders' general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

Shareholders present at a 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. Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, separation or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the separation, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders present at the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing no less than 50% of the voting rights in the company have been received 20 days before the proposed date. If that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by announcement of the matters to be considered at the meeting and the date and venue of the meeting, and the general meeting may be held by the company thereafter.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a 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. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposal for the company's annual financial budgets 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 issue of corporate bonds;

(vii) to formulate proposals for the merger, separation or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated in the articles of association.

Meetings of the board shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be convened by shareholders representing no less than 10% of the voting rights, no less than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an extraordinary meeting of the board. Meetings of the board shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend the meetings of the board in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization that his/her representative has.

If a resolution of the board violates any laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company suffers from 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 shall be relieved from that liability.

Under the PRC Company Law, the following persons may not serve as a director in a company:

(i) persons with no or restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of completion of the implementation of this deprivation;

(iii) persons who were directors, factory directors or managers of a company or enterprise which become bankrupt and has been liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or which was ordered to cease operation as a result of violation of laws and who were personally liable for such revocation or cessation, where less than three years have elapsed since the date of the revocation of the business license; and

(v) persons who have defaulted on a relatively substantial amount of debt personally owed by them.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

The board of directors shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by no less than half of the directors shall perform his/her duties.

Board of Supervisors

A company shall have a supervisory board composed of not less than three members. The supervisory board consists of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The supervisory board shall appoint a chairman and may appoint vice chairmen. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors.

According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the supervisory board shall be elected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor nominated by no less than half of the supervisors shall convene and preside over supervisory board meetings. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the 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/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at the meetings of the board of directors and make enquiries or proposals in respect of the resolutions of the board of directors. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager, who reports to the board of directors, may exercise his/her powers:

(i) to manage the production, operation and administration of the company, and arrange for the implementation of the resolutions of the board of directors;

(ii) to organize and implement the annual business plans and investment proposals of the company;

(iii) to formulate proposals for the establishment of the company's internal management organs;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(viii) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the general manager's powers shall also be complied with. The general manager shall be present at meetings of the board of directors. However, the general manager shall have no voting rights at meetings of the board unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors, the general manager, the deputy manager and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties in good faith.

Directors, supervisors, managers and management personnel are prohibited from accepting bribes or other unlawful income and from misappropriating the company's property. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts maintained in their own names or the names of other individuals;

(iii) lending company funds to others or providing guarantees in favor of others against company property in violation of the articles of association or without approval of the general meeting or the board of directors;

(iv) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting or the board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or operating on behalf of others' businesses similar to that of the company without approval of the general meeting;

(vi) accepting for their own benefit commissions from a third party dealing with the company;

(vii) unauthorized divulgence of confidential information of the company; and

(viii) any other acts in violation of their fiduciary duty towards the company.

Income generated by directors or senior management in violation of aforementioned requirements shall be returned to the company.

A director, supervisor or senior management who contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the enquiries from shareholders. Directors and senior management shall furnish all truthful facts and information to the supervisory board or the supervisors (for companies with limited liability that do not have a supervisory board) without impeding the discharge of duties by the supervisory board or the supervisors.

Where a director or senior management contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory board violates the laws or administrative regulations or the articles of association in the discharge of their duties resulting in any loss to the company, such shareholder(s) may request in writing that the board institute litigation at a people's court on its behalf. If the supervisory board or the board refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a 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

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by relevant government authorities to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board conduct a vote on the dismissal of the accounting firm on their respective meetings. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the newly-engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the reserve fund is drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of H 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 the Articles of Association

Pursuant to the 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 the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

A company shall be dissolved for any of the following reasons:

(i) the term of its operations set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or separation;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering on-going existence of the company a cause for significant losses to the shareholders.

In the event of paragraph (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described in the preceding paragraphs shall require the approval of shareholders present at the general meeting representing at least two-thirds of the voting rights.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter arises. Members of the liquidation committee shall be composed of directors or any other people determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise its powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with and settle any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall, in making his claim, state all matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the companies' registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their wilful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC, and the listing must be arranged in accordance with procedures specified by the State Council. Pursuant to the Special Regulations, a company may issue shares to overseas investors and list its shares overseas upon approval from CSRC. Subject to approval of the company's plans to issue overseas-listed foreign invested shares and domestic shares by CSRC, the board of directors of the company may make arrangement to implement such plans for issuance of the foreign invested shares and domestic shares, respectively, within fifteen (15) months from the date of approval by CSRC.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his 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 such a declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions have separate provisions governing the loss of share certificates and H share certificates of shareholders of overseas listed foreign shares, which shall be set out in the articles of association of a company.

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 registration 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.

D. The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations that relate to the issue and trading of our shares and disclosure of information by us. In October 1992, the State Council established the Securities Committee and 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 CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings 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 Securities Committee and CSRC and reformed CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) govern 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, investigation, penalties and dispute resolutions with respect to a listed company.

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》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. It was the first national securities law in the PRC, and is divided into 12 chapters and 240 articles regulating, among other matters, 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 Securities regulatory authorities to list shares outside the PRC. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the rules and regulations promulgated by the State Council and CSRC.

E. 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 Hong Kong 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 Hong Kong 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 overseas listed foreign 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. Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. 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 recognized 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 (《承認及執行外國仲裁裁決公約》) (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 recognized 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 recognize 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, 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.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

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 with share capital, is incorporated by the Registrar of Companies in Hong Kong and the company will acquire an independent corporate existence upon its 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 provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The amended PRC Company Law which came into effect on March 1, 2014 has no provision on the minimum registered capital of joint stock company, 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 directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law provides that any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is approved 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, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets transfer procedures must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC laws, our Domestic 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 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 our 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 transferred by its directors, supervisors and members of the senior management 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 management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from 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

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has 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. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix entitled Appendix V—"Summary of Articles of Association" to this prospectus.

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 representing at least 75% of the total voting rights of holders of shares in 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, Senior Management and Supervisors

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 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 interested contracts and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and members of the 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 each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he or she 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 in 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 obligations and cause damages to a company, the shareholders individually or jointly holding no less than 1% of the shares in the company for no less 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 obligations and cause damages 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 people's 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 favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

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 appoint a receiver or manager over the property or business of 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. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an extraordinary shareholders meeting must be given not less than 20 days and 15 days before the meeting, respectively. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice is 21 days in the case of an annual general meeting and 14 days in other cases.

Quorum for Shareholders' General Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority and a special resolution is passed by a majority of at least 75%. Under the PRC Company Law, the passing of any resolution 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 proposed 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. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with PRC GAAP. The lower of the after-tax profits of a specific financial 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 financial year. An interim financial report shall be published within 60 days after the end of the first six months of each financial year, while an annual financial report shall be published within 120 days after the end of each financial year.

The Special Regulations require that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights 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 PRC law, this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization 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 voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members under Division 2 of Part 13 of the

Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

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 hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or member of the senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or member of the senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from 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 laws 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 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 Mandatory Provisions, directors, supervisors and senior management are not permitted, without the knowledge and approval of the shareholders' general meeting, to engage in any activities which compete with or damage the interests of their company.

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 in certain circumstances) in a year, whereas, as required by the PRC Company Law and the

Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends.

HONG KONG 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 Advisor

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance advisor should provide professional advice on continuous compliance with the Listing Rules and all other applicable laws and regulations, 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 advisor 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 company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' Report

The accountants' report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

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% if the issuer is expected to have a market capitalization at the time of listing of more than HK$10,000 million.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors of a PRC issuer 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 the standard of competence commensurate with their position as supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association of the company, 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. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Hong Kong Takeovers Code and/or any similar PRC law of which directors are aware. 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 under the Listing Rules to the extent that (i) 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 H shares as at the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in our securities in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer 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 company (or its 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 PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

— a complete duplicate register of shareholders;

— a report showing the state of its issued share capital;

— its latest audited financial statements and the reports of the directors, auditors and 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 SAIC or other competent PRC authorities; and

— for shareholders only, copies of minutes of shareholders' general meetings.

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 agent(s) 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 of 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 such 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 the company (acting both for the company 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 shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall 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 PRC issuer 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 our shareholders as stipulated in the articles of association; and

— 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 us 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 shall 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 the 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 arbitral body is final and shall 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.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

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.

English Translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in English, or accompanied by a certified English translation.

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.

OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

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 shall, 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 shall 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.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of the principal provisions of our Articles of Association, the principal objective of which is to provide investors with an overview of our Articles of Association.

As the information contained below is in summary form, it does not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of our Articles of Association are available for inspection as mentioned in Appendix VIII—"Documents Delivered to the Registrar of Companies and Available for Inspection".

Our Articles of Association were adopted by our Shareholders in the Shareholders' general meeting held on June 18, 2015 and were approved by CBRC Henan Office on September 14, 2015. Our Articles of Association will become effective on the date that our H Shares are listed on the Hong Kong Stock Exchange.

DIRECTORS AND OTHER SENIOR MANAGEMENT

Power to Allot and Issue Shares

There is no provision in our Articles of Association empowering the Directors to allot and issue shares.

To increase the capital of our Bank, the proposal must be submitted for approval by a special resolution at a Shareholders' general meeting.

Power to Dispose of the Assets of Our Bank or Any Subsidiary

For the disposal of any fixed assets by the Board, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four (4) months immediately preceding such proposal for disposal exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed at a Shareholders' general meeting, the Board shall not dispose of or approve of the disposal of such fixed assets without the approval of the Shareholders. The disposal of fixed assets referred to in this paragraph includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.

Any breach of the above paragraph shall not affect the validity of any transaction entered into by the Bank in disposing of fixed assets.

EMOLUMENTS AND COMPENSATION FOR LOSS OF OFFICE

The Bank shall enter into written contracts with the Directors and the Supervisors regarding remuneration which are subject to the prior approval from the Shareholders' general meeting. The matters relating to remuneration include:

(a) remuneration for the Directors, Supervisors or senior management personnel of the Bank;

(b) remuneration for the Directors, Supervisors or senior management personnel of the subsidiary banks (subsidiary companies) of the Bank;

(c) remuneration for those providing other services for managing the Bank and its subsidiary banks (subsidiary companies); and

(d) compensation to Directors or Supervisors for loss of their office or upon retirement.

Except for the contracts mentioned above, the Directors and Supervisors shall not initiate litigation against the Bank and claim benefits due to them for the foregoing matters.

The remuneration contracts between the Bank and its Directors or Supervisors shall stipulate that if the Bank is acquired, the Directors and Supervisors of the Bank shall, subject to prior approval from the Shareholders' general meeting, be entitled to compensation or other funds for loss of their positions or upon retirement. The "acquisition of the Bank" previously mentioned refers to one of the following circumstances:

(a) a takeover offer made by any person to all Shareholders; or

(b) a takeover offer made by any person with the intent of becoming the controlling shareholder. Please see the meaning of "controlling shareholder" in "—Rights of Minority Shareholders".

If the Directors and Supervisors concerned do not comply with the preceding provisions, any funds received by them shall go to the persons who have accepted the offer mentioned above and sell their shares. The Directors and Supervisors shall bear the expenses arising from the distribution of such amounts proportionally, and such expenses shall not be deducted from the amounts.

LOANS TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank shall not, directly or indirectly, provide any loan or loan guarantee to the Directors, Supervisors, and senior management personnel of the Bank and of its parent company, nor shall the Bank provide the same to their connected persons.

The preceding paragraph shall not apply in the following circumstances:

(a) loans or loan guarantees provided by the Bank to its subsidiary banks (subsidiary companies);

(b) loans, loan guarantees or other funds provided by the Bank to the Directors, Supervisors, or senior management personnel of the Bank pursuant to their employment contracts which were adopted by the Shareholders' general meeting, so that the foregoing persons can make payments in the interests of the Bank or for the expenses incurred in performing their duties and responsibilities; and

(c) loans and loan guarantees provided by the Bank to the relevant Directors, Supervisors, and senior management personnel of the Bank and their connected persons, provided that the loans and loan guarantees are provided on normal commercial terms and conditions.

If the Bank provides a loan in breach of the provisions of the preceding provisions, regardless of the terms of the loan the person who has received the loan shall repay it immediately.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF SHARES IN OUR BANK

The Bank or its subsidiary banks (subsidiary companies) shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers who will or who wish to purchase the Bank's shares. The aforementioned purchasers shall include both persons who have directly or indirectly assumed obligations due to purchasing the Bank's shares.

The Bank or its 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 purchasers or prospective purchasers.

The acts listed below are not prohibited by the preceding papragraph, subject to any prohibitions by the relevant laws, administrative regulations, departmental rules and regulatory documents:

(a) the financial assistance provided by the Bank is either genuinely 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 the Bank's overall plans;

(b) the lawful distribution of the Bank's assets in the form of dividends;

(c) the distribution of dividends in the form of shares;

(d) the reduction of registered capital, repurchase of shares, and adjustment of shareholding structure, etc. in accordance with these Articles of Association;

(e) the provision of a loan by the Bank within its scope of business and in the ordinary course of business (provided that this does not lead to a reduction in the net assets of the Bank or that if this causes a reduction, the financial assistance is taken from the Bank's distributable profits); and

(f) provision of funds by the Bank for an employee shareholding scheme (provided that this does not lead to a reduction in the net assets of the Bank or that if there causes a reduction, the financial assistance is taken from the Bank's distributable profits).

"Financial assistance" for these purposes shall include, without limitation, the following means:

(a) financial assistance given by gifts;

(b) financial assistance given by 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), indemnity (other than an indemnity in respect of the Bank's neglect or default) or the release or waiver of any rights;

(c) the provision of loans or the entrance into any agreement under which the obligations of the Bank are to be fulfilled before the obligations of another party, and a change in the parties to, or the novation of, or the assignment of rights arising under such loans or agreement; and

(d) any other form of financial assistance given by the Bank when the Bank is insolvent, has no net assets, or when its net assets would be reduced to a material extent as a result of such financial assistance.

The "obligations" referred to in this Articles of Association shall include the obligations of an obligor which have arisen by making an agreement (regardless of whether the aforesaid agreement or arrangement is enforceable, or whether such obligations are assumed by the obligor individually or jointly with any other person) or any obligations that arise out of changes made in any other way to the obligor's financial condition.

DISCLOSURE OF INTERESTS IN CONTRACTS WITH OUR BANK

The Directors, any of its associates (as defined under the Listing Rules), Supervisors, or senior management personnel of the Bank having any direct or indirect have material conflict of interests in any executed or proposed contracts, transactions or arrangements (except the employment contracts between the Bank and its Directors, Supervisors, and senior management personnel), regardless of whether such interests are usually subject to the approval or consent of the Board, such persons shall disclose the nature and extent of the interests to the Board as soon as possible.

Unless the Directors, Supervisors, and senior management personnel of the Bank with conflicts of interest have disclosed their interests to the Board in accordance with the requirements of the preceding paragraph, and the Board has approved the matter without counting the interested persons into the quorum and without their participation in the vote, the Bank shall have the right to rescind such contracts, transactions or arrangements, except in circumstances where the counterparty is acting in good faith and unaware that the Directors, Supervisors, and senior management personnel are in breach of their obligations.

If the connected persons of a Director, Supervisor, or senior management personnel of the Bank has any conflict of interests with any contracts, transactions or arrangements, the Director, Supervisor and senior management personnel shall be deemed to have a conflict of interests as well.

Before the Bank considers entering into contracts, transactions or arrangements for the first time, and if the interested Directors, Supervisors, and senior management personnel of the Bank have provided a written notice to the Board and board of Supervisors stating that they have a conflict of interests in the contracts, transactions or arrangements which would be entered into by the Bank in the future for the reasons set out in the notice, then the Director, Supervisor, and senior management personnel concerned shall be deemed to have made the disclosure as required in the Article of Association to the extent as set out in the notice. When the condition permits, with the prior approval by the Shareholders' general meeting, the Bank may set up the system of professional liability insurance for the Directors, Supervisors, president and the senior management personnel and make an appropriate insurance arrangement against legal actions that may be exposed to.

REMUNERATION

The remuneration of Directors must be approved by Shareholders in a Shareholders' general meeting. Please see "—Emoluments and Compensation for Loss of Office".

APPOINTMENT, REMOVAL AND RETIREMENT

The qualifications of the Directors and senior management personnel shall be verified by the banking regulatory authority. Directors shall be elected or removed from office by Shareholders at a general meeting. The term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office.

The Nomination Committee of the Board, the Board of Supervisors and Shareholders individually or jointly holding above 1% of the Bank's total outstanding shares with voting rights can nominate candidates for independent Directors to the Board according to the number of Directors to be elected to the extent of the number specified by the Articles of Association. The term of service of an independent Director shall be the same as that of other Directors of the Bank and may be re-elected and re-appointed upon the expiration of the term of office, provided that such term of office shall not be more than six years on an accumulative basis.

The Board of the Bank shall be composed of five (5) to nineteen (19) Directors, of which the independent Directors shall account for no less than one third of the total number of Directors and the number of independent Directors shall be no less than three (3). The Board shall have one chairman and one to two vice chairman(s). The chairman and vice chairman shall be served by the Bank's Directors and shall be elected or dismissed by more than half of all Directors.

No person shall hold the position of Director, Supervisor or senior management personnel of the Bank in one of the following circumstances:

(a) a person without or with limited capacity for civil conduct;

(b) a person who has been penalized or sentenced due to corruption, bribery, embezzlement, appropriation of property or the disruption of the socialist market economy, and five (5) years have not elapsed from which the punishment or deprivation of political rights for the crimes committed was carried out;

(c) a Director, factory Director or manager of bankrupt and liquidated companies or enterprises whereby such person was personally liable for the bankruptcy of such companies or enterprises, and three (3) years have not elapsed from which the liquidation of the company or enterprise was completed;

(d) a legal representative of companies or enterprises which have had their business licenses revoked and the business of such companies or enterprises were compulsorily closed down due to a violation of laws in which such person was personally liable, and three (3) years have not elapsed from which the business license of the company or enterprise was revoked;

(e) a person with relatively large amounts of due and outstanding debt;

(f) a person under investigation by judicial authorities for suspected violations of criminal law and the investigation is still ongoing;

(g) a person banned from holding leadership positions as stipulated by laws and administrative regulations;

(h) a non-natural person;

(i) a person judged by competent authorities as having violated the provisions of securities laws and regulations, the violation involves fraudulent or dishonest acts, and less than five (5) years have elapsed since the ruling; and

(j) other persons who are prohibited from holding leadership positions as stipulated by the law, administrative regulations, departmental rules, regulatory documents, the regulations of the relevant regulatory authorities and the Articles of Association.

The validity of any act by a Director or senior management personnel made on behalf of the Bank towards a third party acting in good faith shall not be affected by any non-compliance in regulations of that person's position, election procedure or qualifications.

BORROWING POWERS

Our Articles of Association 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:

(a) provisions which authorize the Board to formulate proposals on the issue and listing of bonds and other securities; and

(b) provisions which provide that the issuance of bonds or other securities of the Bank shall be approved by the Shareholders' general meeting by a special resolution.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF OUR BANK

Our Articles of Association may be amended by special resolution of the Shareholders in a Shareholders' general meeting. Any amendments to be made to the Articles of Association pursuant to a resolution of the Shareholders' general meeting shall be subject to the approval of the competent authorities, and shall obtain the approval of the competent authorities; if registration matters are involved, the Bank shall apply for registration of the changes in accordance with the law.

CHANGE OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

If the Bank proposes to change or nullify certain rights of a certain class of Shareholders, this proposal should be passed by a special resolution at the Shareholders' general meeting and passed at the meeting convened according to Articles of Association for the related class of Shareholders.

The rights of a certain class of Shareholders shall be deemed to be changed or nullified in the following circumstances:

(a) to increase or reduce in the quantity of the shares of that class, or increase or reduce the quantity of the shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(b) to convert part or whole of the shares of that class into other class(es), convert part or whole of the shares of other class(es) into that class, or grant such conversion rights;

(c) to nullify or reduce the rights of that class of shares to receive payable dividends or cumulative dividends;

(d) to reduce or nullify the privileged rights of that class of shares to acquire dividends or obtain distribution of assets during liquidation of the Bank;

(e) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of that class of shares or the rights of such class of shares to obtain securities issued by the Bank;

(f) to nullify or reduce the rights of that class of shares to receive amounts payable by the Bank in a particular currency;

(g) to establish new class(es) of shares which enjoy the same or more voting rights, distribution rights or other privileges as compared with that class of shares;

(h) to restrict the transfer and ownership of that class of shares, or increase the restrictions;

(i) to grant the share subscription options or share conversion options of that or another class of shares;

(j) to increase the rights or privileges of other class(es) of shares;

(k) any restructuring scheme of the Bank that may result in the assumption of disproportionate responsibilities by different classes of Shareholders during the restructuring; and

(l) to revise or nullify the provisions in the Articles of Association.

The Shareholders with conflicts of interests (as defined below) shall have no voting rights at the meeting for such class of Shareholders.

A resolution of the meeting for a certain class of Shareholders shall be adopted by above two-thirds of the voting shares represented by Shareholders of that class present at the meeting.

When convening a meeting for a certain class of Shareholders, the Bank shall issue a written notice, forty-five (45) days prior to the date of the meeting, to all Shareholders in the relevant class whose names appear on the register of Shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting.

The notice of a meeting for a certain class of Shareholders only needs to be delivered to the Shareholders entitled to vote at that meeting.

Unless required otherwise by the Articles of Association, the procedures for convening a meeting for a certain class of Shareholder shall be the same as the procedures for the Shareholders' general meeting to the extent practical, and the provisions in the Articles of Association relating to the procedure to convene a Shareholders' general meeting shall apply to the meeting for class Shareholders.

Apart from other classes of Shareholders, the Shareholders of domestic shares and overseas listed shares are deemed to be Shareholders of different classes.

The special voting procedure at a Shareholders' general meeting for class Shareholders shall not apply for the following cases:

(a) upon the approval by way of a special resolution passed by a Shareholders' general meeting, the Bank independently or simultaneously issues domestic shares and/or overseas listed shares every twelve (12) months, provided that the amount of each class of shares intended to be issued is not more than 20% of the issued and outstanding shares of the respective class;

(b) the Bank's plan on issuing domestic shares and overseas listed shares at the time of incorporation, which is completed within fifteen (15) months upon the date of approval from the securities regulatory and administrative authorities of the State Council; and

(c) the relevant regulatory authorities such as banking regulatory and administrative authorities and the securities regulatory and administrative authorities of the State Council have given approval for unlisted shares held by the Shareholders of the Bank to be traded in overseas stock exchanges.

For the purposes of the class rights provisions of our Articles of Association, the meaning of "the Shareholders with conflict of interests" is:

(a) if the Bank has made a repurchase tender offer to all Shareholders in the same proportion in accordance with the Articles of Association or has repurchased its own shares through public transaction on a stock exchange, "Shareholders with conflicts of interests" shall mean the controlling Shareholders defined in the Articles of Association;

(b) if the Bank has repurchased shares under an off-market agreement in accordance with the Articles of Association, "Shareholders with conflicts of interests" shall mean Shareholders who are connected with the aforementioned agreement; and

(c) under a restructuring scheme of the Bank, "Shareholders with conflicts of interests" shall mean Shareholders who assume liability in a lower proportion than other Shareholders of the same class, or those who own different interests as compared with other Shareholders of the same class.

RESOLUTIONS—MAJORITY REQUIRED

The resolutions of a Shareholders' general meeting shall either be classified as ordinary resolutions or special resolutions.

Ordinary resolutions shall be approved by a simple majority of voting rights held by the Shareholders (including their proxies) attending the meeting.

Special resolutions shall be approved by above two-thirds of voting rights held by the Shareholders (including their proxies) attending the meeting.

VOTING RIGHTS

When a Shareholder (including his/her proxy) attends the Shareholders' general meeting, he/she shall exercise his/her voting rights based on the number of shares with voting rights held. Each share shall have one (1) vote.

Voting at a Shareholders' general meeting shall be taken by way of registered poll.

On a poll taken at a meeting, a Shareholder (including his/her proxies) entitled to above two (2) votes need not cast all the votes towards the same stance.

REQUIREMENT FOR ANNUAL MEETINGS

The annual general meeting shall be held once a year within six (6) months after the previous financial year end.

ACCOUNTS AND AUDIT

The Bank shall formulate its financial accounting system in accordance with the applicable laws, administrative regulations and the provisions of the financial authority of the State Council.

The Board of our Bank shall have a board audit committee which reports and is responsible to the Board. The audit committee shall consist of not less than three members, more than half of them are independent Directors, and shall have such responsibilities and powers as prescribed by our Articles of Association.

The Bank shall prepare its financial statements in accordance with PRC accounting standards and regulations; as well as in accordance with international accounting standards or the accounting standards required by securities regulatory authorities of the locality in which the Bank's shares are listed. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. When distributing the after-tax profits for the relevant financial year, the Bank shall adopt the one with the lower after-tax profits out of the aforesaid two financial statements.

The Bank shall prepare an annual financial report within four (4) months after the end of each financial year, an interim financial report within two (2) months after the end of the first six (6) months of each financial year and a quarterly financial report within one (1) month after the end of the first three (3) months and the first nine (9) months of each financial year, and submit them to the banking regulatory and administrative authorities under the State Council and the People's Bank of China in accordance with the relevant laws. The said financial reports shall be prepared according to the relevant laws, administrative regulations and departmental rules. Except as otherwise provided in the Articles of Association, the Bank shall send the aforesaid report or report of the Board along with the balance sheet and income statement to each Shareholder of overseas listed shares by pre-paid post at least twenty-one (21) days prior to the convening of the annual general meeting of Shareholders. Where the securities regulatory authorities of the jurisdiction in which the Bank's shares are listed provide otherwise, such provisions shall prevail.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

There are two types of Shareholders' general meetings: annual general meetings and extraordinary general meetings.

An extraordinary general meeting shall be convened within two (2) months from the date of occurrence of any of the following events:

(a) the number of Directors is less than the minimum number required by the PRC Company Law or less than two-thirds of the number stipulated in the Articles of Association;

(b) the outstanding loss of the Bank is at least one-third of the Bank's total paid-up share capital;

(c) shareholders who individually or jointly hold above 10% of the voting shares of the Bank (the "Requesting Shareholders") have requested to convene the meeting in writing;

(d) the Board deems it necessary to convene the meeting;

(e) the Board of Supervisors proposes to convene the meeting;

(f) above half of the independent Directors propose to convene the meeting (if there are only two independent Directors, then the two independent Directors unanimously propose to convene);

(g) above half of the external Supervisors propose to convene the meeting (if there are only two external Supervisors, then the two external Supervisors unanimously propose to convene);

(h) any other circumstances as stipulated by the laws, administrative regulations, departmental rule and the Articles of Association.

When the Bank is to convene an annual general meeting, the conveners shall issue a written notice, forty-five (45) days prior to the date of the meeting, to all Shareholders whose names appear on the register of Shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who wish to attend the Shareholders' general meeting shall provide a written reply of attendance to the Bank twenty (20) days before the general meeting is convened.

The Bank shall calculate the proportion of voting shares held by Shareholders who wish to attend the meeting based on the written replies received twenty (20) days before the Shareholders' general meeting that is convened by the Bank. Where the proportion of voting shares held by Shareholders who wish to attend the meeting reaches above half of the total voting shares of the Bank, the Bank will convene the Shareholders' general meeting. If this threshold is not met, the Bank shall inform the Shareholders within five (5) days via an announcement stipulating the matters to be considered and the venue, date and time of the meeting. Once this announcement is made, the Bank may then proceed to convene the Shareholders' general meeting.

Notice of Shareholders' general meeting shall contain the following contents:

(a) the date, time and venue of the meeting;

(b) the matters and proposals to be considered at the meeting;

(c) all necessary information and explanation to enable Shareholders to make informed decisions on the matters to be discussed. This means that when the following matters, which shall include, but shall not be limited to: any merger, share repurchase, share capital reorganization or any proposals relating to change in the structure of the Bank are involved, the detailed terms of the proposed transaction, copies of the proposed agreement (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;

(d) if any of the Directors, Supervisors or senior management personnel have material interest in the matters to be discussed, they shall disclose the nature and extent of such interest; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor or senior management personnel as Shareholders compared to other Shareholders of that same class, they shall explain this difference;

(e) the full text of any proposed special resolution to be voted on at the meeting;

(f) a prominent statement stating that a Shareholder entitled to attend and vote at the meeting, is entitled to appoint above one proxy to attend and vote on his/her behalf, and such proxy need not be a Shareholder, and the power of attorney use to appoint proxies shall be enclosed;

(g) the shareholding registration date of the Shareholders who are entitled to attend the meeting;

(h) the time and address for lodging the proxy forms of the relevant meeting;

(i) the name and phone number of the contact person of the meeting;

(j) other requirements stipulated by the laws, regulations, the regulations of the relevant regulatory authorities as well as the Articles of Association.

Unless otherwise stipulated by the laws, regulations, the regulations of the relevant regulatory authorities as well as the Articles of Association, the notice of a Shareholders' general meeting shall be delivered by hand or prepaid mail to all Shareholders (regardless of whether they have voting rights at the Shareholders' general meeting). The address of the recipients shall be the address registered in the register of Shareholders. For holders of domestic shares, the notice of a Shareholders' general meeting may be in the form of an announcement.

The aforesaid announcement shall be published in one or more newspapers specified by the securities regulatory and administrative authorities under the State Council between the forty-five (45) to fifty (50) day interval prior to the date the meeting is convened. All holders of domestic shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published. Where, as a result of accidental omission, a notice of meeting is not given to a person who is entitled to receive such notice or where such person has not received the notice, the meeting or any resolution adopted at the meeting shall not be invalidated as a result.

The Shareholders' general meeting which composed of all Shareholders shall be an organ of power of the Bank and shall exercise the following powers in accordance with the law:

(a) to decide on the business policies and material investment plans of the Bank;

(b) to elect and replace Directors and Supervisors which are not appointed as representatives of the employees, and to decide on the remuneration of the relevant Directors and Supervisors;

(c) to examine and approve reports made by the Board;

(d) to examine and approve reports made by the Board of Supervisors;

(e) to examine and approve the Bank's proposed annual financial budget and final accounts;

(f) to examine and approve the Bank's plans for profit distribution and tax loss carryforward;

(g) to adopt resolutions concerning the increase or reduction in the Bank's registered capital;

(h) to adopt resolutions regarding the issuance of bonds or other securities of the Bank;

(i) to adopt resolutions on the merger, division, change in corporate form of the Bank, dissolution, liquidation and other matters;

(j) to amend the Articles of Association;

(k) to decide on the engagement, dismissal or discontinuation of the appointment of the Bank's accounting firm;

(l) to examine material external investment, acquisition and disposed asset, asset pledge, external guarantee, entrustment of wealth management and other matters of the Bank;

(m) to examine and approve the related transactions which require approval by the Shareholders' general meeting as stipulated by the law, administrative regulations, departmental rules, regulatory documents, regulations of securities regulatory authorities of the locality where the Bank's shares are listed;

(n) to examine the stock incentive plans and employee stock ownership plans;

(o) to examine proposals raised by the Shareholders who individually or jointly hold above 3% of the total issued and outstanding voting shares of the Bank (hereinafter referred to as "Proposing Shareholders");

(p) to examine other issues which should be decided by the Shareholders' general meeting as stipulated by the laws, administrative regulations, departmental rules as well as the Articles of Association.

The following matters shall be resolved by way of special resolution:

(a) an increase or reduction of the registered capital of the Bank and the issuance of any class of shares, warrants and other similar securities;

(b) the issuance of bonds or other securities by the Bank;

(c) the division, merger, any other change in the corporate form, dissolution and liquidation of the Bank;

(d) amendments to the Articles of Association;

(e) consideration of matters relating to the Bank's material external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrustment of wealth management, etc.;

(f) stock incentive plans and employee stock ownership plans; and

(g) any other matters as required by the laws, regulations, regulatory documents, the securities regulatory authority in the place where the stocks of the company are listed or the Articles of Association, or other matters that, resolved by the Shareholders' general meeting by way of an ordinary resolution, may have a material effect on the company and should therefore be adopted by a special resolution.

Save for matters described above requiring approval by way of special resolutions, other matters requiring approval by the shareholders' general meeting shall be adopted as ordinary resolutions.

TRANSFER OF SHARES AND PLEDGE OF SHARES

Unless otherwise specified by the relevant laws, administrative regulations and the regulations of the securities regulatory authorities in the locality in which the shares of the Bank are listed, the fully paid shares of the Bank may be transferred legally and freely without any lien attached. Registration shall be made in the share registrar authorized by the Bank for the transfer of the shares of 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 the documents for transfer without stating any reason unless the conditions stipulated below are met:

(a) fee prescribed by the Hong Kong Stock Exchange in the Listing Rules has been paid to the Bank, and all transfer documents and other documents which relate to or may affect the title of any shares have been registered;

(b) transfer documents are only in relation to H shares;

(c) stamp duty (as stipulated by Hong Kong law) which is payable for the transfer documents has been duly paid;

(d) relevant share certificate(s) and any other evidence which the Board may reasonably require to show that the transferor has the right to transfer the shares have been provided;

(e) where the shares are intended to be transferred to joint holders, the number of such joint Shareholders is not more than four (4); and

(f) shares are free and clear of any lien of the Bank.

Any changes or corrections of any part of the register of Shareholders shall be effected in accordance with the laws of the locality in which that part of the register of Shareholders is kept.

The Bank shall comply with the relevant regulations of the banking regulatory and administrative authorities under the State Council or other relevant administrative authorities in transferring its shares.

If the Shareholders pledge their shares in the Bank to provide guarantees for themselves or others, they shall comply strictly with the laws, regulations and the requirements of regulatory authorities, and inform the Board of the Bank in advance.

If Shareholders who are entitled to nominate candidates of the Directors and Supervisors of the Bank or Shareholder who can directly or indirectly, or jointly hold or control above 2% of the shares or voting rights of the Bank pledge the shares of the bank, they shall make an application to the Board for filing in advance to state basic information such as reason for pledge, number of shares, duration of the pledge and the pledgee. 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. Upon completion of shares pledge registration, Shareholders shall in a timely manner provide the Bank with relevant information regarding the pledge of shares in line with the Bank's risk management and information disclosure requirement.

Filing shall not be made if the Board determines that it has material adverse effect on the stability of the Bank's shareholding, corporate governance, risk and related transactions.

Shareholders shall not pledge the Bank's shares if the outstanding balance of the loans they have borrowed from the Bank exceeds the audited net book value of the shares held by them in the previous year.

When the shares pledged by a Shareholder reaches or exceeds 50% of its holding of shares in the Bank, the voting rights of such Shareholder at general meetings and the voting rights of Directors appointed by such Shareholder at meetings of the Board shall be restricted.

POWER OF OUR BANK TO REPURCHASE OUR OWN SHARES

The Bank may, in accordance with the provisions under laws, administrative regulations, departmental rules and the Articles of Association, repurchase its issued shares in the following circumstances:

(a) reduction of the Bank's registered capital;

(b) mergering with another company holding shares in the Bank;

(c) granting of shares to employees of the Bank as reward;

(d) requests for the Bank to repurchase its own shares from Shareholders who have voted against the resolutions passed at a Shareholders' general meeting on the merger or separation of the Bank; or

(e) other circumstances permitted by applicable laws and permitted by the relevant competent authorities of the State.

After the Bank has repurchased its own shares in accordance with the preceding provision, the shares so repurchased shall be cancelled within ten (10) days from the date of purchase (under the circumstances set out in (a) mentioned in the above paragraph), or shall be transferred or cancelled within six (6) months (under the circumstances set out in (b) and (d) mentioned in the above paragraph).

The Bank may, with approval from relevant competent authorities of the State, repurchase its shares in one of the following ways:

(a) making a repurchase offer to all Shareholders on a pro rata basis;

(b) repurchasing shares through open transactions on a stock exchange;

(c) repurchasing shares via an off-market agreement; and

(d) other manners as permitted by the laws, administrative regulations, and relevant competent authorities of the State.

Where the Bank is to repurchase its shares via an off-market agreement, prior approval shall be obtained at a shareholders' general meeting in accordance with the Articles of Association. The Bank may, having first obtained the prior approval at a Shareholders' general meeting, rescind or alter contracts concluded in the aforementioned manner or waive any of its rights under such contracts.

Unless the Bank is undergoing liquidation, it shall comply with the following requirements with respect to a repurchase of its issued shares:

(a) for repurchases of shares by the Bank at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of a new issuance of shares for that purpose;

(b) where the Bank repurchases its shares at a premium to its par value, payment up to the par value shall be made from the book balance of its distributable profits or from the proceeds of a new issuance of shares for that purpose. Payment of the portion which is in excess of the par value shall be made as follows: (i) If the shares being repurchased are issued at par value, payment shall be made from the book balance of its distributable profits; (ii) If the shares being repurchased are issued at a premium to its par value, payment shall be made from the book balance of its distributable profits or from the proceeds of the new issuance of shares for that purpose. However, the amount deducted from the proceeds of the new issuance of shares shall not exceed the aggregate amount of the premium received by the Bank from the issuance of the shares so repurchased, nor shall it exceed the amount in the Bank's premium account or capital reserve fund account (including premium on the new issue) at the time of such repurchase;

(c) the Bank shall make the following payments from the Bank's distributable profits: (i) acquisition of the rights to repurchase its own shares; (ii) variation of any contracts for the repurchase of its shares; (iii) release from its obligations under any repurchase contracts;

(d) after the aggregate par value of the cancelled shares is deducted from the Bank's registered capital in accordance with the relevant provisions, the amount deducted from the distributable profits used for the repurchase of the shares at par value shall be credited to the Bank's premium account or its capital reserve fund account.

RIGHT OF OUR SUBSIDIARIES TO OWN SHARES IN OUR BANK

There are no provisions in our Articles of Association preventing a subsidiary of our Bank from owning any of our shares.

DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

Our Bank may distribute dividends in the form of cash or shares.

Our Bank shall appoint for Shareholders of overseas listed shares a recipient agent. The recipient agent shall collect on behalf of the Shareholders concerned the dividends distributed and other funds payable by the Bank in respect of the overseas listed shares. The recipient agent appointed by the Bank shall comply with the laws of the locality in which the Bank's shares are listed or the relevant requirements of the stock exchange where the Bank's shares are listed. The recipient agent appointed by the Bank for Shareholders of H-shares shall be a company which is registered as a trust company under the Trustee Ordinance of Hong Kong.

PROXIES

Any Shareholder entitled to attend and having voting rights at a Shareholders' general meeting shall be entitled to appoint one or more persons (these persons need not be Shareholders) as proxies to attend and vote on their behalf. A proxy may exercise the following powers at a Shareholders' general meeting:

(a) the same right of speech as the Shareholder at the meeting;

(b) have authority to demand or join other Shareholders in demanding a poll;

(c) have the right to vote by hand or on a poll, but when more than one proxy has been appointed, the proxies only have the right to vote on a poll.

Shareholders shall appoint their proxies in writing. The power of attorney shall be placed at the Bank's domicile or at any other place designated in the notice of Shareholders' general meeting, and at least twenty-four (24) hours prior to either the convening of the relevant meeting in which the resolutions are to be voted on or the designated voting time. If the power of attorney is signed by a person authorized by the appointing Shareholder instead of the appointing Shareholder himself/herself, the power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the proxy form authorizing the proxy to vote, be placed at the Bank's domicile or any other place designated in the notice of Shareholders' general meeting.

In the event that the appointing Shareholder is a legal person, the Shareholder shall be represented at the Shareholders' general meeting of the Bank by the legal representative or other persons authorized by the resolution of the Board or any other decision-making body of such appointing Shareholder.

The blank proxy form issued by the Board of the Bank to the Shareholder for the appointment of proxies shall freely allow the Shareholder to instruct his/her proxy to vote as he/she sees fit (voting in the affirmative or negative), and to give separate instructions for each resolution that will be voted on at the meeting.The power of attorney should indicate whether the proxy may vote at his/her discretion if no specific instructions have been given by the Shareholder.

If the appointing Shareholder has passed away, lost his/her ability to act, withdrawn the appointment, withdrawn the authorization of the signed proxy form or has transferred all of his/her shares prior to voting, as long as the Bank has not received any written notice regarding these matters before the commencement of the relevant meeting, the vote cast by the proxy in accordance with the proxy form shall remain valid.

CALLS ON SHARES AND FORFEITURE OF SHARES

Our Bank shall have the right to cease delivering dividend notice to the Shareholders of overseas listed shares by mail, but such right can only be exercised after the dividend notice has not been drawn twice consecutively. If a dividend notice fails to reach the expected recipient in the initial mail delivery and is returned, the Bank may exercise the right promptly.

Our Bank shall have the right to sell the shares of the Shareholders of overseas listed shares through the methods the Board deems appropriate and subject to the following conditions: (i) the Bank has distributed dividends on such shares at least three (3) times in a period of twelve (12) years and the dividends are not claimed by anyone during that period; and (ii) after the expiration of the twelve-year period, the Bank makes a public announcement in one or more newspapers in the place of listing, stating its intention to sell such shares and notifies the stock exchange of the locality in which the Bank's shares are listed.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER OF SHAREHOLDERS)

The Shareholders of our Bank shall enjoy the following rights:

(a) to receive dividends and other kinds of distributions as determined by the number of shares held by them;

(b) to personally attend or appoint a proxy to attend Shareholders' general meetings, and to exercise their voting rights based on the number of shares held by them;

(c) to supervise the business operation of the Bank, and to make suggestions and enquiries accordingly;

(d) to transfer, bestow or pledge shares held by them in accordance with the laws, administrative regulations, the regulations of the relevant regulatory authorities and the Article of Association;

(e) to obtain relevant information in accordance with the laws, administrative regulations, departmental rules, regulatory documents, the relevant provisions stipulated by the securities regulatory authorities in the locality in which the shares of the Bank are listed and the Articles of Association, including:

  (i) to obtain a copy of the Articles of Association after paying the costs and expenses incurred; and

  (ii) have the right to inspect, free of charge, and to photocopy, after paying a reasonable fee, the following documents:

  - all parts of the register of Shareholders;
  - the personal information of the Directors, Supervisors, president and other senior management personnel of our Bank;
  - status of the Bank's share capital;
  - reports on the aggregate par value, number of shares, and highest and lowest prices of each class of shares in relation to any repurchase by the Bank of its own shares since the last financial year, as well as all the expenses paid by the Bank in relation to such repurchases;
  - minutes of the Shareholders' general meetings;
  - the special resolutions of our Bank;
  - the latest audited financial statements, Directors' reports, auditors' report and report of the Bank's Board of Supervisors;

- a copy of the latest annual return already submitted to the State Administration for Industry and Commerce of PRC or other competent bodies.

(f) to participate in the distribution of the remaining assets of the Bank based on the number of shares held in the event of the Bank's dissolution or liquidation;

(g) to demand the Bank to acquire their shares (for Shareholders who disagree with the resolutions adopted at a Shareholders' general meeting in relation to the merger or division of the Bank); and

(h) to have other rights conferred in accordance with the laws, administrative regulations, departmental rules and the Articles of Association.

QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

When the Bank is to convene an annual general meeting, the conveners shall issue a written notice, forty-five (45) days prior to the date of the meeting, to all Shareholders whose names appear on the register of Shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who wish to attend the Shareholders' general meeting shall provide a written reply of attendance to the Bank twenty (20) days before the general meeting is convened.The Bank shall calculate the proportion of voting shares held by Shareholders who wish to attend the meeting based on the written replies received twenty (20) days before the shareholders' general meeting that is convened by the Bank. Where the proportion of voting shares held by Shareholders who wish to attend the meeting reaches above half of the total voting shares of the Bank, the Bank will convene the Shareholders' general meeting. If this threshold is not met, the Bank shall inform the Shareholders within five (5) days via an announcement stipulating the matters to be considered and the venue, date and time of the meeting. Once this announcement is made, the Bank may then proceed to convene the Shareholders' general meeting.

When convening a meeting for a certain class of Shareholders, the Bank shall issue a written notice, forty-five (45) days prior to the date of the meeting, to all Shareholders in the relevant class whose names appear on the register of Shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the meeting shall deliver a written response to the Bank twenty (20) days before the meeting is convened. The Bank may convene a meeting for a certain class of Shareholders if the number of Shareholders intending to attend the meeting represent above one-half of the total number of shares with voting rights in that class. If this requirement is not met, the Bank shall, within five (5) days, issue another announcement informing the Shareholders of the matters to be considered at the meeting and the date and venue of the meeting. Once this announcement is made, the Bank may convene the meeting for that class of Shareholders.

RIGHTS OF MINORITY SHAREHOLDERS

In addition to the obligations required under the laws, administrative regulations or the provisions stipulated by a stock exchange located in the locality in which the shares of the Bank are listed, when exercising their rights as a Shareholder, controlling shareholders shall not exercise their voting rights and make decisions on the following issues as these issues are detrimental to the interests of all or some of the Shareholders:

(a) relieving a Director or Supervisor of their responsibility to act in good faith and in the best interests of the Bank;

(b) approving a Director or a Supervisor in depriving the Bank of its assets in any form, including but not limited to any business opportunities that are advantageous to the Bank, regardless of whether the deprivation is made for the Director, or Supervisor's benefit or for the benefit of others; or

(c) approving a Director or a Supervisor (for his/her own or for the benefit of others) in depriving other Shareholders of their personal interests, including but not limited to any distribution rights and voting rights, unless the deprivation is made pursuant to a Bank restructuring submitted to and adopted at the Shareholders' general meeting in accordance with the Articles of Association.

The "controlling shareholder(s)" shall refer to the person(s) satisfying any of the following conditions:

- the person may elect more than half of the Directors when acting alone or in concert with others;
- the person may exercise or control the exercise of above 30% of the total voting shares of the Bank when acting alone or in concert with others;
- the person holds above 30% of issued and outstanding shares of the Bank when acting alone or in concert with others; or
- the person may *de facto* control the Bank in any other manner when acting alone or in concert with others.

PROCEDURES ON LIQUIDATION

In any of the following circumstances, our Bank may be dissolved in accordance with the law:

(a) if the Shareholders' general meeting resolves to do so;

(b) if a dissolution is necessary as a result of a merger or division of the Bank;

(c) the Bank is declared bankrupt due to its failure to repay debts due;

(d) if the business license of the Bank is revoked or if it is ordered to close down its business or if its business license is canceled in accordance with the laws;

(e) where the operation and management of the Bank falls into serious difficulties and its continued existence would cause material losses to Shareholders, the Shareholders holding above 10% of the total voting rights of the Bank may apply to the people's court to dissolve the Bank if there are no other solutions.

If the Board decides that the Bank shall be liquidated (except for liquidation resulting from the Bank's declaration of bankruptcy), it shall state in the notice of Shareholders' general meeting convened for such purpose that the Board have conducted a comprehensive investigation into the situation of the Bank and believes that the Bank is able to pay off all its debts within twelve months following the commencement of the liquidation.

After the Shareholders' general meeting adopts a resolution in favor of the liquidation, and after the liquidation committee is established, the functions and powers of the Board of the Bank shall be terminated immediately.

The liquidation committee shall follow the instructions of the shareholders' general meetings and shall report to the Shareholders' general meeting at least once a year on the income and expenditure of the liquidation committee, the business of the Bank and the progress of the liquidation, and shall make a final report to the Shareholders' general meeting at the end of the liquidation.

OTHER PROVISIONS MATERIAL TO OUR BANK AND OUR SHAREHOLDERS

General Provisions

After consideration and approval by the Shareholders' general meeting and approval by the banking regulatory and administrative authorities under the State Council, our Articles of Association shall become effective from the date of public offering of the H Shares of the Bank on the Hong Kong Stock Exchange. From the date on which it becomes effective, our Articles of Association shall become a legally binding document that regulates the organization and acts of the Bank, as well as the rights and obligations between the Bank and its Shareholders, and amongst the Shareholders themselves.

Our Bank may, based on its operating and development needs and in accordance with the laws and regulations, subject to respective resolutions adopted in the Shareholders' general meeting and the approval by the relevant competent authorities, increase its capital in the following ways:

(a) public offering of shares;

(b) non-public offering of shares;

(c) placing new shares to existing Shareholders;

(d) distributing bonus shares to existing Shareholders;

(e) transferring reserve funds to increase share capital; and

(f) other methods required by applicable laws or permitted by relevant competent authorities of the State.

The Bank's increase of capital by issuing new shares shall be conducted in accordance with the procedures provided in relevant laws and administrative regulations after being approved according to the Articles of Association.

Shareholder of our Bank shall have the following obligations:

(a) to abide by the laws, administrative regulations and our Articles of Association;

(b) to contribute to the share capital as determined by the number of shares subscribed by them and the prescribed method of capital contribution;

(c) not to withdraw their contributed share capital except in circumstances allowed by the laws and administrative regulations;

(d) to report the Board in a timely, complete and truthful manner regarding the particulars of its related enterprises, its related party relationship with other Shareholders and its shareholdings in other commercial banks;

(e) not to abuse their rights in harming the interests of the Bank, Shareholders and any other stakeholders; not to seek improper advantages or interfere with the decision-making rights and management rights entrusted to the Board and senior management in line with the Articles of Association, and not to bypass the Board and senior management and directly intervene in the Bank's operations and management; not to abuse the Bank's status as an independent, separate legal entity and the limited liability of Shareholders to harm the interests of the Bank's creditors. If a Shareholder of the Bank abuses their rights and causes loss to the Bank or other Shareholders it will be held liable for compensation in accordance with the law. If a Shareholder abuses the Bank's status as an independent, separate legal entity and evades the repayment of debts, resulting in material damage to the interests of the Bank's creditors, that Shareholder will be jointly and severally liable for the debts of the Bank;

(f) to safeguard the Bank's interests and reputation, and to support the Bank in operating in a lawful manner;

(g) to assume other obligations required by the laws, administrative regulations and the Articles of Association.

Shareholders shall not be liable for making any additional contribution to the share capital of the Bank other than according to the terms agreed by the subscriber of the shares at the time of subscription.

Directors' Qualification Shares

Directors of the Bank shall be a natural person and is not required to hold any shares of the Bank.

BOARD OF SUPERVISORS

Our Bank shall have a Board of Supervisors which shall be composed of three (3) to thirteen (13) Supervisors, not less than two (2) of which shall be the external Supervisors. Employee representative Supervisors and external Supervisors shall not be less than one-third of the total number of members of the Board of Supervisors. The Board of Supervisors shall have one (1) chairman, and the appointment and removal of the chairman shall be made with a resolution passed by above two-thirds of the all members of the Board of Supervisors. Unless the laws, administrative regulations, departmental rules, the regulations of the relevant regulatory authorities and the Articles of Association provide stipulations to the contrary, a resolution at the meeting of the Board of Supervisors shall be adopted if it is approved by above two-thirds of all Supervisors.

Shareholder representative Supervisors shall be elected or replaced by the Shareholders' general meeting; and employee representative Supervisors shall be elected or replaced by employee representative meeting of the Bank.

The Board of Supervisors is accountable to the Shareholders' general meeting and shall perform the following duties and powers in line with law:

(a) to examine the reports of the Bank regularly compiled by the Board and submit its opinions in writing;

(b) to supervise the performance by and due diligence of the Board and senior management personnel of their duties;

(c) to query the Directors, the Board and senior management;

(d) to conduct exit audits towards Directors and senior management when necessary;

(e) to require Directors and senior management personnel to rectify their acts which are detrimental to the interest of the Bank;

(f) to inspect and supervise financial activities of the Bank;

(g) to audit the business decision-making, risk management and internal control of the Bank, if necessary;

(h) to propose dismissal of Directors or senior management personnel who violate laws, administrative regulations, the Articles of Associaiton or resolutions of the Shareholders' general meeting, or initiate legal proceedings according to laws;

(i) to propose to convene an extraordinary general meeting and convene and preside over the Shareholders' general meeting in the event that the Board has failed to fulfil its duty stipulated by the PRC Company Law to convene and preside over the Shareholders' general meeting;

(j) to make proposals to the Shareholders' general meeting;

(k) to propose to convene an interim Board meeting;

(l) to examine financial information such as financial reports, business reports and profit distribution plans proposed to be submitted to the Shareholders' general meeting by the Board, to conduct investigations if there are any doubts or irregularities in relation to the operation of the Bank, and to engage professionals from accountant firms or law firms etc. if necessary to assist its duties at the expenses of the Bank;

(m) to make proposals regarding the remuneration (or allowance) of the Supervisors; and

(n) to exercise any other functions and powers conferred by applicable laws, administrative regulations, departmental rules, regulatory documents and the Article of Association, and authorized by the Shareholders' general meetings.

PRESIDENT

Our president shall be accountable to the Board and shall perform the following duties and powers:

(a) to take charge of the operation and management of the Bank, to organize the implementation of the resolutions of the Board and to report the work to the Board;

(b) to submit annual business plans and investment proposals to the Board and to organize the implementation upon approval by the Board;

(c) to draft proposals on the establishment of the Bank's internal management entities;

(d) to draft the Bank's basic management system;

(e) to formulate the Bank's specific regulations;

(f) to propose to the Board to appoint or dismiss the vice presidents, assistant to the president, financial chief and other senior management personnel;

(g) to determine to appoint or dismiss persons in charge of the internal departments and branches of the Bank other than those to be engaged or dismissed by the Board; and determine their salaries, benefits and reward or punishment according to the remuneration reward and punishment scheme fixed by the Board;

(h) to authorize senior management personnel of the Bank and persons in charge of internal departments and branches to conduct operational activities;

(i) to decide on the appointment and dismissal of the Bank's staff, and on matters relating to wages, benefits, reward and punishment;

(j) to adopt emergency measures when any material emergency arises and promptly report them to the banking regulatory and administrative authorities under State Council, the Board and the Board of Supervisors; and

(k) other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents, the regulations of the relevant regulatory authorities, the Articles of Association and by the Board.

A non-Director president observing the meetings of the Board shall have no voting rights thereat.

BOARD

The Board shall take ultimate responsibility of the operation and management of the Bank and perform the following duties and powers:

(a) convene and report at the Shareholders' general meetings;

(b) implement resolutions adopted at the Shareholders' general meetings;

(c) make decisions on the Bank's operational development strategies, business plans and investment plans, of which the Bank's operational development strategies include green credit related strategies;

(d) formulate the Bank's annual financial budgets and accounts, profit distribution plans and tax loss carryforward plans;

(e) formulate proposals on the increase or reduction of the Bank's registered capital and the issue and listing of bonds and other securities;

(f) formulate plans for material acquisitions, purchase of the Bank's shares, or merger, division or dissolution or other change in form of the Bank;

(g) decide on matters within the scope authorized at a shareholders' general meeting, including external investments, asset acquisition and sales, pledge of assets, external guarantees and entrustment of wealth management;

(h) consider and approve the related transactions that are required to be considered and approved by the Board by the laws, administrative regulations, departmental rules and regulatory documents as well as the relevant requirements of the securities regulatory authorities of the place where the Bank's shares are listed;

(i) decide on the establishment of the Bank's internal management departments;

(j) appoint or remove the Bank's president and secretary to the Board; decide to appoint or remove the Bank's senior management personnel including the vice president, president assistant and finance chief in accordance with the recommendations of the president, and determine their remunerations, rewards and punishment;

(k) formulate the basic management systems, decide on the policies on risk management, internal control and compliance policy of the Bank;

(l) formulate amendment plans on amendments to the Articles of Association, the rules of procedures of Shareholders' general meetings and Board meetings;

(m) propose at a Shareholders' general meeting the appointment, dismissal or discontinuance of appointment of accounting firms;

(n) supervise the work performance of the senior management personnel, listen to the president's work report and inspect the president's work;

(o) manage the information disclosure of the Bank and take ultimate responsibility for the completeness and accuracy of the Bank's accounting and financial statement systems;

(p) consider any material capital expenditure, contract and commitment which exceeds the expenditure limit for senior management personnel set by the Board; and

(q) other rights conferred by the laws, administrative regulations, departmental rules or the Articles of Association and the Shareholders' general meetings.

The Board shall hold at least one (1) regular meeting per quarter, and shall be convened and presided by the chairman. Notices of the Board meetings shall be sent to all Directors and Supervisors in writing at least ten (10) days before the meeting by hand, or by way of fax, email or otherwise, and the meeting documents shall be sent to all Directors and Supervisors at least five (5) days before the meeting.

The Board meetings shall only be held when more than half of the Directors attend the meeting. The Board shall resolve the matters proposed to be resolved by means of a meeting. Resolutions adopted at the Board meeting must be approved by more than half of the Directors.

RESOLUTION OF DISPUTES

The Bank shall abide by the following rules for dispute resolution:

If any disputes or claims in relation to the Bank's business, with respect to any rights or obligations under the Articles of Association, the PRC Company Law or any other relevant laws and administrative regulations, arise between Shareholders of overseas listed shares and the Bank, between Shareholders of overseas listed shares and the Bank's Directors, Supervisors or senior management personnel of the Bank, or between Shareholders of overseas listed shares and other Shareholders, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the Bank, the Bank's Shareholders, Directors, Supervisors or senior management personnel of the Bank) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

An applicant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If an applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Unless otherwise provided by the laws, administrative regulations, departmental rules or regulatory documents, the laws of the PRC shall apply to the settlement of any disputes or claims that are resolved by arbitration described above.

The award of the arbitration institution shall be final and binding on all parties.

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 laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "IIT Law"), which was last amended on June 30, 2011 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on July 19, 2011, dividends paid by PRC enterprises are subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa 1993 No. 45 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose Shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non- foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise Investors

In accordance with the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "CIT Law"), and the Implementation provisions for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), both effective as of January 1, 2008, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC- sourced income is not connected with such establishment or place in the PRC. The withholding tax may be reduced pursuant to applicable treaties to avoid double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The Circular on Issues Relating to the Withholding of Corporate 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) (《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)) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on dividends paid to overseas non- resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non- resident Enterprise from Holding Stock such as B-shares (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)) which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《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 on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)).

Tax Treaties

Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has Avoidance of Double Taxation Treaties with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the income tax at a rate of 20%.

Pursuant to the Circular of the MOF and the State Administration of Taxation Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the State Administration of Taxation on March 30, 1998, from January 1, 1997, income of individuals from transfer of shares in listed enterprises continues to be exempted from individual income tax. The State Administration of Taxation has not stated whether it will continue to exempt individual income tax on income of individuals from transfer of listed shares in the latest amended Individual Income Tax Law and the Implementation Rules of IIT Law. However, on December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (《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》(財稅[2009]167號)) which states that individuals' income from transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (Cai Shui [2010] No. 70) (《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補充通知》(財稅[2010]70號)). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be collected from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to the best of our knowledge, in practice such tax has not been collected by the PRC tax authorities.

Enterprise Investors

In accordance with the CIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected in reality with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) effective as of October 1, 1988 and amended on January 8, 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實施細則》) effective as of October 1, 1988, stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC, as PRC stamp duty is only applicable to such documents as executed or received within the PRC and having legally binding force in the PRC and protected under the PRC laws.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in China under the PRC laws.

B. HONG KONG TAXATION

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business 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 can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the 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 any 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 a 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 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

2. PRINCIPAL TAXATION OF OUR BANK BY THE PRC

Corporate Income Tax

Pursuant to the CIT Law, enterprises and other organizations which generate income within the PRC are corporate income tax payers and shall pay corporate income tax at a tax rate of 25%.

Business Tax

Pursuant to the Provisional Regulations of the PRC 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, the Bank is engaged in banking activities within the PRC and is therefore subject to a 5% business tax.

According to the Pilot Reform for Transition from Business Tax to VAT (Cai Shui [2011] No. 110) (《營業稅改徵增值稅試點方案》(財稅[2011]10號)) issued by the MOF and SAT and effected on November 16, 2011, pilot reforms for transition from business tax to VAT have been started since January 1, 2012 in certain service industries such as transportation and some of the modern service industries in pilot areas such as Shanghai and Beijing. According to a further notice of the MOF and the SAT, such reform has been expanded nationwide since August 1, 2013. According to the Notice on Including the Railway Transportation and Postal Industries in the Pilot Program for Transition from Business Tax to VAT (Cai Shui [2013] No. 106) (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》(財稅[2013]106號)) issued by the Ministry of Finance and the State Administration of Taxation on December 12, 2013, the railway transportation and postal industries have been included into the pilot program for transition from business tax to VAT since January 1, 2014 across the country. As of the Latest Practicable Date, the Bank is not required by the relevant taxation authorities in the place where the Bank operates its business to transit the payment of business tax to VAT.

3. TAXATION OF OUR BANK IN HONG KONG

Our Directors do not consider that any of our Bank's income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. Our Bank will therefore not be subject to Hong Kong taxation.

4. FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBoC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice of the State Council on Further Reforming the Foreign Exchange Management System (Guo Fa [1993] No. 89) (《關於進一步改革外匯管理體制的通知》(國發[1993]89號)) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. PBoC set and published daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other currencies in 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 new Regulations of the PRC for Foreign Exchange Control (《中國人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current items and capital items. Most of the current items are no longer subject to SAFE's approval, while capital items still are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBoC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理暫行規定》) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Issues regarding Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革有關事宜公告》) (PBoC Announcement (2005) No. 16), issued by PBoC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. PBoC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

Starting from January 4, 2006, PBoC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, PBoC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, PBoC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade Center to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD on that day using the weighted average of the remaining market makers' offered quotations after excluding the highest and lowest quotations, and announce the central parity of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On August 11, 2015, PBoC announced to improve the central parity quotations of RMB against the USD by authorizing market-makers to provide central parity quotations 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 exchange as well as changes in major internationalcurrency exchange rates.

On August 5, 2008, the State Council promulgated the revised Regulations for Foreign Exchange Control (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have 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 Foreign Exchange Control Regulations have improved the RMB exchange rate regime based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have 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 State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the SAFE, effect payment from foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Bank) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa (2014) No.50), which canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic issuer shall, within 15 business days of the date of the end of its initial public offering overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation; the proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [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》(匯發[2015]13號)). The notice came into effect on June 1, 2015. The notice has cancelled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

1. FURTHER INFORMATION ABOUT OUR BANK

A. Incorporation

Our Bank was incorporated as a joint stock limited liability company in the PRC pursuant to PRC Company Law in November 1996 under the name of "City United Bank Co., Ltd. of Zhengzhou". In December 2000, our Bank was renamed as "Zhengzhou Commercial Bank Co., Ltd." and in October 2009, our name was further changed to "Bank of Zhengzhou Co., Ltd.". Our registered address is at 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province, PRC. 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 has been appointed as our agent for the acceptance of service of process and notices on behalf of our Bank in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business in Hong Kong. We conduct our banking business in the PRC under the supervision and regulation of CBRC and PBoC. We are not an authorized institution within the meaning of the Banking Ordinance, and are not subject to the supervision of the Hong Kong Monetary Authority, nor 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. A summary of the relevant provisions of our Articles of Association is set out in Appendix V.

B. Changes in Share Capital

At the time of our establishment, our initial registered capital was RMB452,759,882, divided into 452,759,882 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up.

During the two years preceding to the date of this prospectus, there had been no alteration in our registered capital.

As at the Latest Practicable Date, our registered share capital is RMB3,941,931,900, divided into 3,941,931,900 Domestic Shares.

As at the Latest Practicable Date, we proposed to establish a financial leasing company in Zhengzhou to carry out financial leasing business with two independent third parties. We proposed to contribute to 51% of the registered capital of the financial leasing company, amounting to RMB510 million. We will apply to CBRC for approval to set up the financial leasing company. We will commence the preparatory work for setting up of the company after the formal approval is obtained.

Immediately after the Global Offering, our registered capital will be RMB5,141,931,900, consisting of 3,821,931,900 Domestic Shares and 1,320,000,000 H Shares, which represent approximately 74.33% and 25.67% of the registered capital, respectively (assuming the Over-allotment Option is not exercised).

C. Restriction on Share Repurchase

For details of the restrictions on share repurchase by our Bank, please see the section entitled Appendix V — "Summary of Articles of Association — Power of Our Bank to Repurchase Our Own Shares" to this prospectus.

D. Resolution of Our Shareholders

Resolutions were passed by our Shareholders on June 18, 2015, pursuant to which, among other things, our Shareholders approved certain amendments to our Articles of Association in compliance with the requirements of the Listing Rules and other applicable laws and regulations. The relevant amendments will become effective from the Listing Date.

Resolutions were passed by our Shareholders on March 1, 2015, pursuant to which, among other matters, our Shareholders:

(a) approved the conversion of our company into an overseas subscription joint stock company;

(b) approved the issuance and offering of H Shares and the granting of the Over-allotment Option;

(c) approved the listing of H Shares on the Hong Kong Stock Exchange; and

(d) authorized our Board of Directors and persons authorized by our Board of Directors to handle all matters relating to the listing of our H Shares.

2. 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) an underwriting agreement in relation to the 2014 tier-two capital bonds of Bank of Zhengzhou Co., Ltd. dated June 16, 2014, entered into between CITIC Securities Co., Ltd. (中信證券股份有限公司) (as lead underwriter and on behalf of syndicate of underwriters) and the Bank (as issuer), pursuant to which CITIC Securities Co., Ltd. agreed to form a syndicate of underwriters to underwrite the tier —two capital bonds not exceeding RMB2 billion issued by the Bank, by means of balance underwriting in accordance with the terms of the agreement, the underwriting fee being 0.5% of the funds raised, amounting to RMB10 million;

(b) a promotors agreement dated July 27, 2015, entered into between Zhengzhou Yutong Bus Co., Ltd. (鄭州宇通客車股份有限公司), Henan TianLun Gas Group Co., Ltd. (河南天倫燃氣集團有限公司) and the Bank, in relation to establishment of Jiuding Financial Leasing Co., Ltd. (九鼎金融租賃股份有限公司), pursuant to which the registered capital of Jiuding Financial Leasing Co., Ltd. (九鼎金融租賃股份有限公司) shall be RMB1,000 million, among which the Bank agreed to contribute as to 51%;

(c) a cornerstone investment agreement dated December 9, 2015, entered into between Lightning Triumph Limited, CCCC Financial Limited (中國城市國際金融控股集團有限公司), the Joint Sponsors, the Joint Global Coordinators and the Bank, pursuant to which Lightning Triumph Limited agreed to subscribe for 254,500,000 H Shares at the Offer Price;

(d) a cornerstone investment agreement dated December 9, 2015, entered into between Orient Best Investments Limited, JIANG Lei (蔣磊), the Joint Sponsors, the Joint Global Coordinators and the Bank, pursuant to which Orient Best Investments Limited agreed to subscribe for 254,500,000 H Shares at the Offer Price;

(e) a cornerstone investment agreement dated December 9, 2015, entered into between Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司), Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司), the Joint Sponsors, the Joint Global Coordinators and the Bank, pursuant to which Hong Kong Xingrui International Investment Co., Limited agreed to subscribe for 100,000,000 H Shares at the Offer Price;

(f) a cornerstone investment agreement dated December 9, 2015, entered into between Zhengzhou Zhengdong Construction Investment Corporation (鄭州市鄭東新區建設開發投資總公司), the Joint Sponsors, the Joint Global Coordinators and the Bank, pursuant to which Zhengzhou Zhengdong Construction Investment Corporation agreed to subscribe for 100,000,000 H Shares at the Offer Price; and

(g) a cornerstone investment agreement dated December 9, 2015, entered into between Citigroup Global Markets Limited, Huinong Fund International Investments Ltd. (惠農基金國際投資有限公司), the Joint Sponsors, the Joint Global Coordinators and the Bank pursuant to which Citigroup Global Markets Limited agreed to subscribe for 69,000,000 H Shares at the Offer Price;

(h) a cornerstone investment agreement dated December 9, 2015, entered into between Tech Flourish Enterprises Limited (科茂企業有限公司), Shangrong Financial Holdings Co., Limited (尚融金融控股有限公司), the Joint Sponsors, the Joint Global Coordinators and the Bank, pursuant to which Tech Flourish Enterprises Limited agreed to subscribe for 60,000,000 H Shares at the Offer Price;

(i) 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 to our business:

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Place of Registration	Class	Application No.	Effective Period
1.	乐车族	PRC	36	6283246	2010.03.28-2020.03.27
2.	乐经营	PRC	36	6283249	2010.03.28-2020.03.27
3.	乐安家	PRC	36	6283251	2010.05.28-2020.05.27
4.	商鼎卡 SHANGDING CARD	PRC	38	6283262	2010.03.28-2020.03.27
5.	商鼎卡 SHANGDING CARD	PRC	35	6283266	2010.06.21-2020.06.20
6.	商鼎卡 SHANGDING CARD	PRC	36	6283275	2013.01.28-2023.01.27
7.	金梧桐 JINWUTONG	PRC	38	6627592	2010.04.07-2020.04.06
8.	金梧桐 JINWUTONG	PRC	36	6627593	2010.09.28-2020.09.27
9.	金梧桐 JINWUTONG	PRC	35	6627607	2011.02.21-2021.02.20
10.	金梧桐 JINWUTONG	PRC	9	6627608	2010.05.14-2020.05.13
11.	商鼎卡 SHANGDING CARD	PRC	9	6648695	2014.02.28-2024.02.27
12.		PRC	36	7719833	2011.01.21-2021.01.20
13.	郑州银行	PRC	36	7719839	2012.09.07-2022.09.06
14.	BANK OF ZHENGZHOU	PRC	36	7719860	2012.09.07-2022.09.06
15.		PRC	36	7751904	2011.01.28-2021.01.27
16.	中原掘金 ZHONGYUANJUEJIN	PRC	36	7752016	2011.01.28-2021.01.27
17.	房金时贷	PRC	36	7752046	2011.04.28-2021.04.27

No.	Trademark	Place of Registration	Class	Application No.	Effective Period
18.	融易桥	PRC	36	7752098	2011.01.28-2021.01.27
19.	集惠贷	PRC	36	7752147	2013.04.14-2023.04.13
20.	结伴赢	PRC	36	7752185	2011.01.28-2021.01.27
21.	合利赢	PRC	36	7752198	2011.01.28-2021.01.27
22.	如意风	PRC	36	7752216	2011.01.28-2021.01.27
23.		PRC	36	7838804	2014.05.14-2024.05.13
24.	金梧桐鼎诚	PRC	36	10135691	2012.12.28-2022.12.27
25.	967585	PRC	36	10135728	2014.04.28-2024.04.27
26.	商鼎卡 SHANGDING CARD	PRC	36	10561082	2013.06.14-2023.06.13
27.	商鼎	PRC	36	10561379	2013.04.21-2023.04.20
28.		PRC	36	10561533	2013.04.21-2023.04.20
29.	鼎铸中原	PRC	36	10561582	2013.04.21-2023.04.20
30.		PRC	9	10568846	2013.07.21-2023.07.20
31.	郑银	PRC	9	10568880	2013.04.28-2023.04.27
32.	郑行	PRC	9	10568890	2013.04.28-2023.04.27
33.	郑行	PRC	36	10568925	2013.04.28-2023.04.27
34.	郑银	PRC	36	10568951	2014.07.21-2024.07.20
35.	诚之信	PRC	36	10575438	2013.04.28-2023.04.27
36.	德致远	PRC	36	10575454	2014.04.14-2024.04.13
37.	诚意金	PRC	35	10648017	2013.06.07-2023.06.06
38.	郑州银行 BANK OF ZHENGZHOU	PRC	35	10648034	2014.06.21-2024.06.20
39.	诚意金	PRC	14	10648043	2013.06.07-2023.06.06
40.	郑州银行 BANK OF ZHENGZHOU	PRC	14	10648071	2014.07.14-2024.07.13
41.	诚意金	PRC	36	10648151	2013.06.07-2023.06.06

No.	Trademark	Place of Registration	Class	Application No.	Effective Period
42.	商鼎智圣卡	PRC	36	10826171	2013.07.28-2023.07.27
43.	商鼎科圣卡	PRC	36	10826204	2013.07.21-2023.07.20
44.	商鼎医圣卡	PRC	36	10826229	2013.07.21-2023.07.20
45.	商鼎商圣卡	PRC	36	10826256	2013.07.21-2023.07.20
46.	商鼎智圣卡	PRC	9	10832142	2013.07.28-2023.07.27
47.	商鼎科圣卡	PRC	9	10832157	2013.07.28-2023.07.27
48.	商鼎医圣卡	PRC	9	10832170	2013.07.28-2023.07.27
49.	商鼎商圣卡	PRC	9	10832186	2013.07.28-2023.07.27
50.	郑银商通	PRC	9	10961095	2013.08.28-2023.08.27
51.	商鼎商通	PRC	9	10961105	2013.08.28-2023.08.27
52.	商鼎商通	PRC	36	10961120	2013.08.28-2023.08.27
53.	郑银商通	PRC	36	10961132	2013.09.07-2023.09.06
54.	商通卡 SHANG TONG CARD	PRC	36	10961150	2014.07.14-2024.07.13
55.		PRC	36	11479636	2014.02.14-2024.02.13
56.	速易通	PRC	36	13552172	2015.02.14-2025.02.13
57.	智信赢	PRC	36	13552175	2015.02.14-2025.02.13
58.	智信赢	PRC	9	13552179	2015.02.07-2025.02.06
59.		PRC	9	13552200	2015.02.14-2025.02.13
60.		PRC	9	13552221	2015.02.14-2025.02.13
61.	得惠通	PRC	36	13552224	2015.02.07-2025.02.06
62.	稳顺	PRC	36	13552232	2015.02.07-2025.02.06
63.	鼎融易	PRC	9	13681991	2015.02.07-2025.02.06
64.	鼎融易	PRC	35	13682005	2015.02.14-2025.02.13
65.	鼎融易	PRC	36	13682016	2015.02.07-2025.02.06
66.	鼎融易	PRC	38	13682025	2015.02.14-2025.02.13
67.	鼎融易	PRC	42	13682035	2015.02.14-2025.02.13
68.		PRC	9	14343861	2015.05.21-2025.05.20
69.		PRC	36	14343926	2015.05.21-2025.05.20
70.		PRC	9	14343971	2015.05.21-2025.05.20

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Place of Registration	Application Class(es)	Application No.	Application Date
1.	金梧桐稳健	PRC	36	10135698	2011.11.01
2.	商通卡 SHANG TONG CARD	PRC	9	10961067	2012.05.23
3.		PRC	36	13552212	2013.11.15
4.	郑州银行 BANK OF ZHENGZHOU	PRC	36	14134183	2014.03.07
5.	郑州银行 BANK OF ZHENGZHOU	PRC	36	14134278	2014.03.07
6.	郑州银行 BANK OF ZHENGZHOU	PRC	36	14134324	2014.03.07
7.	商 鼎 信 用 卡 SHANGDING CREDIT CARD 让你惠生活 帮你惠经营	PRC	36	14344037	2014.04.09
8.	商 鼎 信 用 卡 SHANGDING CREDIT CARD 惠 让 您 喜 欢	PRC	36	14695545	2014.07.14
9.	商 鼎 信 用 卡 SHANGDING CREDIT CARD 月月让您惠消费 时时积分惠长大	PRC	36	14695570	2014.07.14
10.	商 鼎 信 用 卡 SHANGDING CREDIT CARD 让 您 惠 省 钱	PRC	36	14695600	2014.07.14
11.	小额宝	PRC	36	14818319	2014.06.10
12.	鼎融易 DINGRONGYI	PRC	36	15603085	2014.10.29

No.	Trademark	Place of Registration	Application Class(es)	Application No.	Application Date
13.	鼎融易 DINGRONGYI	PRC	38	15603234	2014.10.29
14.	同惠	PRC	36	16004303	2014.12.24
15.	薪添利	PRC	36	16126473	2015.01.09
16.	金梧桐聚鑫	PRC	9	16945885	2015.05.14
17.	金梧桐聚金	PRC	9	16945923	2015.05.14
18.	金梧桐鼎诚	PRC	9	16945992	2015.05.14
19.	金梧桐鼎诚	PRC	38	16946017	2015.05.14
20.	金梧桐聚金	PRC	38	16946074	2015.05.14
21.	金梧桐聚鑫	PRC	38	16946168	2015.05.14
22.	金梧桐聚鑫	PRC	36	16946221	2015.05.14
23.	金梧桐聚金	PRC	36	16946247	2015.05.14
24.	A. 郑州银行 BANK OF ZHENGZHOU B. 郑州银行 BANK OF ZHENGZHOU C. 郑州银行 BANK OF ZHENGZHOU D. 郑州银行 BANK OF ZHENGZHOU	Hong Kong	35, 36	303433752	2015.06.05

(b) Design Patents

No.	Description	Figure	Registration No.	Application Date	Publication Date
1.	Design of bank card (normal card)		201430101313.7	2014.04.23	2014.09.17
2.	Design of bank card (standard platinum card)		201430101366.9	2014.04.23	2014.10.29
3.	Design of bank card (prestigious platinum card)		201430101830.4	2014.04.23	2014.09.17
4.	Design of bank card (diamond card)		201430101311.8	2014.04.23	2014.10.29
5.	Design of bank card (gold card)		201430101312.2	2014.04.23	2014.09.17

(c) Domain Names

As of the Latest Practicable Date, we have registered the following material Internet domain names:

No.	Domain Name	Owner	Effective Period
1	zzbank.cn	Bank of Zhengzhou Co., Ltd.	2008.05.21-2020.05.21
2	鄭州銀行.net	Zhengzhou Commercial Bank Co., Ltd.	2010.07.24-2020.07.24
3	鄭州銀行股份有限公司.cn	Bank of Zhengzhou Co., Ltd.	2010.08.09-2020.01.08
4	鄭州銀行股份有限公司.com	Bank of Zhengzhou Co., Ltd.	2009.12.31-2019.12.31
5	鄭州銀行股份有限公司	Bank of Zhengzhou Co., Ltd.	2010.02.01-2019.12.31
6	鄭州銀行	Zhengzhou Commercial Bank Co., Ltd.	2012.05.10-2020.07.27

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 the respective total deposits and loans and advances to customers as of the Latest Practicable Date.

3. 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 will have an interest or short position 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 or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings:

Substantial shareholders' interests or short positions in our Shares or underlying Shares

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Zhengzhou Finance Bureau (鄭州市財政局)	Beneficial Owner, interest of controlled corporation	Domestic[1] Shares	702,306,483	13.66	18.38	693,134,808	13.02	18.22

1 The 702,306,483 Shares are directly or indirectly held by Zhengzhou Finance Bureau (鄭州市財政局), including 490,904,755 Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局), and 74,409,412 Shares, 50,000,000 Shares, 85,133,944 Shares and 1,858,372 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, assuming there is no exercise of the Over-allotment Option, each of which is directly or indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). By virtue of SFO, Zhengzhou Finance Bureau (鄭州市財政局) is deemed to be interested in the Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司). FAN Yutao (樊玉濤), our non-executive Director, is the chief economist of Zhengzhou Finance Bureau (鄭州市財政局).

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司)	Beneficial Owner, interest of controlled corporation	Domestic[2] Shares	161,401,728	3.14	4.22	152,230,053	2.86	4.00
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Beneficial Owner	Domestic Shares	262,000,000	5.10	6.86	262,000,000	4.92	6.89
Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司)	Interest of a Controlled Corporation	Domestic[3] Shares	262,000,000	5.10	6.86	262,000,000	4.92	6.89
XU Jianxin (徐建新)	Interest of a Controlled Corporation	Domestic[3] Shares	262,000,000	5.10	6.86	262,000,000	4.92	6.89
Lightning Triumph Limited	Beneficial Owner	H Shares	254,500,000	4.95	19.28	254,500,000	4.78	16.77
CCCC Financial Limited (中國城市國際金融控股集團有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77

2 The 161,401,728 Shares are directly or indirectly held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), including 74,409,412 Shares directly held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and 85,133,944 Shares and 1,858,372 Shares held by Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, each of which is indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局), assuming there is no exercise of the Over-allotment Option. By virtue of SFO, Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司) is deemed to be interested in the Shares held by Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司).

3 Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) is wholly-owned by Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司), which in turn is owned by XU Jianxin (徐建新), our non-executive Director, as to 80% of its shares. By virtue of SFO, Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司) and XU Jianxin (徐建新) are deemed to be interested in the Shares held by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司). XU Jianxin (徐建新), our non-executive Director, is the chairman of the board of directors of Yutai International (Henan) Real EstateDevelopment Co., Ltd. (豫泰國際(河南)房地產開發有限公司).

4 The 254,500,000 Shares are directly held by Lightning Triumph Limited ("Lightning Triumph"), which is wholly-owned by CCCC Financial Limited (中國城市國際金融控股集團有限公司) ("CCCC Financial"). CCCC Financial is wholly-owned by China City Construction Development International Co., Limited (中國城建開發國際有限公司) ("CCCD International"), which is in turn wholly-owned by China City Construction Development Co., Limited (中國城建開發有限公司) ("CCC Development"). CCC Development is wholly-owned by China City Construction Holding Group Company (中國城市建設控股集團有限公司) ("China City Construction"), which is in turn wholly-owned by China City Construction International Technology Development (Beijing) Co., Limited (中城建國際科技發展(北京)有限公司) ("CCC IT"). CCC IT is wholly-owned by China City Development Academy International Co., Limited (中國城市發展研究院國際有限公司) ("CCDA International"), which is in turn wholly-owned by China City Development Academy Co., Ltd. (中國城市發展研究院有限公司) ("China City Development"). China City Development is a wholly-owned subsidiary of China Real Estate Research Association (中國房地產研究會)("CRERA"),which is in turn controlled by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部). By virtue of SFO, each of CCCC Financial, CCCD International, CCC Development, China City Construction, CCC IT, CCDA International, China City Development and CRERA is deemed to be interested in the Shares held by Lightning Triumph.

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
China City Construction Development International Co., Limited (中國城建開發國際有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Construction Development Co., Limited (中國城建開發有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Construction Holding Group Company (中國城市建設控股集團有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Construction International Technology Development (Beijing) Co., Limited (中城建國際科技發展(北京)有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Development Academy International Co., Limited (中國城市發展研究院國際有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China City Development Academy Co., Ltd. (中國城市發展研究院有限公司)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
China Real Estate Research Association (中國房地產研究會)	Interest of a Controlled Corporation	H Shares[4]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
Orient Best Investments Limited	Beneficial Owner	H Shares	254,500,000	4.95	19.28	254,500,000	4.78	16.77
JIANG Lei (蔣磊)	Interest of a Controlled Corporation	H Shares[5]	254,500,000	4.95	19.28	254,500,000	4.78	16.77
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Beneficial Owner	Domestic Shares	250,000,000	4.86	6.54	250,000,000	4.70	6.57
Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司)	Interest of a Controlled Corporation	Domestic[6] Shares	250,000,000	4.86	6.54	250,000,000	4.70	6.57

5 Orient Best Investments Limited is wholly-owned by JIANG Lei (蔣磊). By virtue of SFO, JIANG Lei (蔣磊) is deemed to be interested in all the Shares held by Orient Best Investments Limited.

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
ZHANG Huiqi (張惠琪).....	Interest of a Controlled Corporation	Domestic[6] Shares	250,000,000	4.86	6.54	250,000,000	4.70	6.57
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Beneficial Owner	Domestic[7] Shares	218,172,838	4.24	5.71	215,678,764	4.05	5.67
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Beneficial Owner	Domestic[8] Shares	226,000,000	4.40	5.91	226,000,000	4.25	5.94
DU Liling (杜麗玲)	Interest of a Controlled Corporation	Domestic[9] Shares	226,000,000	4.40	5.91	226,000,000	4.25	5.94
WANG Meilan (王梅蘭) ...	Interest of a Controlled Corporation	Domestic Shares[9]	226,000,000	4.40	5.91	226,000,000	4.25	5.94
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Beneficial Owner	Domestic Shares	205,000,000	3.99	5.36	205,000,000	3.85	5.39
Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司)	Interest of a Controlled Corporation	Domestic[10] Shares	205,000,000	3.99	5.36	205,000,000	3.85	5.39
Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司)	Interest of a Controlled Corporation	Domestic[10] Shares	205,000,000	3.99	5.36	205,000,000	3.85	5.39

6 Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) is owned by Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司), as to 97.8% of its shares. Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) is in turn owned by ZHANG Huiqi (張惠琪), as to 90% of its shares. By virtue of SFO, Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) and ZHANG Huiqi (張惠琪) are deemed to be interested in the Shares held by Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司). ZHANG Huiqi (張惠琪) is the daughter, being above the age of 18, of ZHANG Jiangguo (張敬國), our non-executive Director.

7 LIANG Songwei (梁嵩巍), our non-executive Director, is the general manager and the director of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司).

8 MA Jinwei (馬金偉), our non-executive Director, is the general manager of Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).

9 Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司) is owned as to 50% and 50% by DU Liling (杜麗玲) and WANG Meilan (王梅蘭). By virtue of SFO, each of DU Liling (杜麗玲) and WANG Meilan (王梅蘭) is deemed to be interested in the Shares held by Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).

10 Zhongyuan Trust Co., Ltd. (中原信託有限公司) is owned by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) as to approximately 48.42% and 33.28%, respectively. Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) is owned by Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) as to approximately 45.09% of its shares. By virtue of SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) and Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) are deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). JI Hongjun (姬宏俊), our non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Beneficial Owner, interest of a Controlled Corporation	Domestic Shares[11]	295,807,289	5.75	7.74	294,769,212	5.54	7.75
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Beneficial Owner	Domestic Shares	199,046,474	3.87	5.21	199,046,474	3.74	5.23
ZHU Zhihui (朱志暉)	Interest of a Controlled Corporation	Domestic Shares[12]	199,046,474	3.87	5.21	199,046,474	3.74	5.23
Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司)	Beneficial Owner	H Shares	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司)	Interest of a Controlled Corporation	H Shares[13]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited(鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)	Interest of a Controlled Corporation	H Shares[14]	100,000,000	1.94	7.58	100,000,000	1.88	6.59

11 These 295,807,289 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 90,807,289 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 205,000,000 Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司), which is owned as to approximately 48.42% by Henan Investment Group Co., Ltd. (河南投資集團有限公司), assuming there is no exercise of the Over-allotment Option. By virtue of SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司).

12 Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% by ZHU Zhihui (朱志暉), our Supervisor, and 10% by his spouse, WANG Linhui (王林輝). By virtue of SFO, ZHU Zhihui (朱志暉) is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). ZHU Zhihui (朱志暉), our Supervisor, is the chairman of the board of directors of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).

13 Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司) ("Hong Kong Xingrui") is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司) ("Xingrui Industrial"). Therefore, Xingrui Industrial is deemed to be interested in the 100,000,000 Shares by virtue of SFO.

14 Xingrui Industrial is a joint venture owned by Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司) ("Zhengzhou Xinggang") as to 51% and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司) ("Ruimaotong") as to 49%. Therefore, each of Zhengzhou Xinggang and Ruimaotong is deemed to be interested in the 100,000,000 Shares by virtue of SFO. Zhengzhou Xinggang is a state-owned company under the Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會).

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司)	Interest of a Controlled Corporation	H Shares[14]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Jiangsu Jinhe Electricity and Fuel Limited (江蘇晋和電力燃料有限公司)	Interest of a Controlled Corporation	H Shares[15]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Ruimaotong Supply Chain Management Co., Limited	Interest of a Controlled Corporation	H Shares[15]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Zhengzhou Rumaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司)	Interest of a Controlled Corporation	H Shares[16]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司)	Interest of a Controlled Corporation	H Shares[17]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
WAN Yongxing (萬永興)	Interest of a Controlled Corporation	H Shares[17]	100,000,000	1.94	7.58	100,000,000	1.88	6.59
Zhengzhou Zhengdong Construction Investment Corporation	Beneficial Owner	H Shares[18]	100,000,000	1.94	7.58	100,000,000	1.88	6.59

15 Ruimaotong is a wholly-owned subsidiary of Jiangsu Jinhe Electricity and Fuel Limited (江蘇晋和電力燃料有限公司) ("Jiangsu Jinhe"), which is in turn wholly-owned by Ruimaotong Supply Chain Management Co., Limited, a company listed on the Shanghai Stock Exchange. Therefore, each of Jiangsu Jinhe and Ruimaotong Supply Chain Management Co., Limited is deemed to be interested in all the Shares held by Ruimaotong by virtue of SFO.

16 Ruimaotong Supply Chain Management Co., Limited is owned as to 60.76% by Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司). Therefore, Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司) is deemed to be interested in the 100,000,000 Shares by virtue of SFO.

17 Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司) is wholly-owned by Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司) ("Henan Zhongrui") which in turn is owned as to 70% by WAN Yongxing (萬永興). Therefore, each of WAN Yongxing (萬永興) and Henan Zhongrui is deemed to be interested in the 100,000,000 Shares by virtue of SFO.

18 Zhengzhou Zhengdong Construction Investment Corporation is an investment and financing platform established by the Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會).

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option) Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Citigroup Global Markets Limited	Beneficial Owner/Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Citigroup Global Markets Holdings Bahamas Limited	Interest of a Controlled Corporation / Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Citigroup Financial Products Inc.	Interest of a Controlled Corporation / Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Citigroup Global Markets Holdings Inc.	Interest of a Controlled Corporation / Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Citigroup Inc.	Interest of a Controlled Corporation / Short Position	H Shares[19]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Huinong Fund International Investments Ltd. (惠農基金國際投資有限公司)	Other	H Shares[20]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Ningbo Huinong Gangwan Equity Investment Partnership (L.P.) (寧波惠農港灣股權投資合夥企業(有限合夥))..........	Interest of a Controlled Corporation	H Shares[20]	69,000,000	1.34	5.23	69,000,000	1.30	4.55

19 Citigroup Global Markets Limited has agreed to purchase 69,000,000 Shares as cornerstone investor under the Global Offering. Prior to the Listing Date, Citigroup Global Markets Limited have entered into a cash settled derivative transaction ("Derivative Transaction") with Huinong Fund International Investments Ltd. (惠農基金國際投資有限公司) ("Huinong"), pursuant to which Citigroup Global Markets Limited intend to transfer full economic exposure in 69,000,000 Shares to Huinong and, as such, Citigroup Global Markets Limited will have a short position in such number of Shares.

Citigroup Inc. holds voting rights in Citigroup Global Markets Limited through a chain of companies, namely, Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Bahamas Limited where it holds more than one-third of their voting rights (Citigroup Inc., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Bahamas Limited are together referred to as the "Citigroup Entities"). By virtue (and for the purposes) of Part XV of the SFO, the Citigroup Entities will be deemed to be interested (both long and short positions) in the 69,000,000 Shares which Citigroup Global Markets Limited holds after completion of the Global Offering.

20 Citigroup Global Markets Limited entered into the Derivative Transaction with Huinong prior to the Listing Date, pursuant to which Citigroup Global Markets Limited has transferred its full economic exposure in the 69,000,000 Shares purchased by it as a cornerstone investor to Huinong. Huinong is a wholly-owned special investment vehicle of Ningbo Huinong Gangwan Equity Investment Partnership (L.P.) (寧波惠農港灣股權投資合夥企業(有限合夥)) ("Ningbo Gangwan Equity"). Therefore, each of Huinong and Ningbo Gangwan Equity is deemed to be interested in the 69,000,000 Shares by virtue of SFO.

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % in interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Shenzhen Ronghui Xincheng Investment Co., Ltd. (深圳融惠信誠投資管理有限公司)...	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Beijing Shang Finance Management Co., Ltd (北京尚融資本管理有限公司)	Interest of a Controlled Corporation	H Shares[21, 22]	129,000,000	2.51	9.77	129,000,000	2.42	8.50
WEI Lidong (尉立東)	Interest of a Controlled Corporation	H Shares[21, 22]	129,000,000	2.51	9.77	129,000,000	2.42	8.50
Beijing Huinong Investment Fund (L.P.) (北京惠農投資基金(有限合夥))	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Beijing Huinong Investment Management Center (L.P.) (北京惠農投資管理中心(有限合夥))......	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Beijing CHNC Corporation (北京惠農資本管理有限公司)........................	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55
Beijing Fengnong Investment Consulting Co., Ltd. (北京豐農投資諮詢有限公司)..........	Interest of a Controlled Corporation	H Shares[21]	69,000,000	1.34	5.23	69,000,000	1.30	4.55

21 Pursuant to the Derivative Transaction, Huinong and Ningbo Gangwan Equity are deemed to be interested (both long and short positions) in the Shares which Citigroup Global Markets Limited holds after completion of the Global Offering. Ningbo Gangwan Equity is owned as to 0.1% by Shenzhen Ronghui Xincheng Investment Co., Ltd.(深圳融惠信誠投資管理有限公司) ("Shenzhen Ronghui") as the general partner and as to 99.9% by Beijing Huinong Investment Fund (L.P.) (北京惠農投資基金(有限合夥))("Beijing Huinong") as the limited partner. Shenzhen Ronghui is wholly-owned by Beijing Shang Finance Management Co., Ltd (北京尚融資本管理有限公司) ("Shang Finance"), which is owned as to, among others, 99.83% by WEI Lidong (尉立東). Beijing Huinong is owned as to, among others, 1% by Beijing Huinong Investment Management Center (L.P.) (北京惠農投資管理中心(有限合夥))("Beijing Huinong Investment Management Center"), which is owned as to, among others, 49% by Beijing CHNC Corporation (北京惠農資本管理有限公司)("CHNC") as the limited partner and as to 1% by Beijing Fengnong Investment Consulting Co., Ltd.(北京豐農投資諮詢有限公司)("Beijing Fengnong") as the general partner. CHNC is owned as to, among others, 98% by Shang Finance. Beijing Fengnong is owned as to, among others, 99% by WEI Lidong (尉立東). Therefore, (i) Shenzhen Ronghui, (ii) Shang Finance, (iii) WEI Lidong (尉立東), (iv) Beijing Huinong, (v) Beijing Huinong Investment Management Center, (vi) CHNC and (vii) Beijing Fengnong are also deemed to be interested in all the Shares held by Citigroup Global Markets Limited.

22 Tech Flourish Enterprises Limited (科茂企業有限公司), which holds 60,000,000 Shares, is wholly-owned by Shangrong Financial Holdings Co., Limited (尚融金融控股有限公司) ("Shangrong"). Shangrong is wholly-owned by Ningbo Gangwan Jinkong Equity Investment Limited Company (寧波港灣金控股權投資有限公司), which is in turn owned as to 90% by Shang Finance and as to 10% by CHNC. CHNC is in turn owned as to 98% by Shang Finance. Therefore, each of Shang Finance and its controlling shareholder WEI Lidong (尉立東), is deemed to be interested in all the Shares held by Tech Flourish Enterprises Limited by virtue of SFO.

B. Disclosure of the Directors' and Supervisors' 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 (assuming the Over-allotment Option is not exercised), none of our Directors, Supervisors and chief executive will have any interests or short positions in the Shares, 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), 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. For this purpose, the relevant provisions of the SFO shall be construed as if they are applicable to our Supervisors.

Directors

Name of Director	Nature of Interest	Class	Number of Shares in our Bank	Approximate percentage of interest in our Bank	Approximate percentage in the relevant class of Shares of our Bank
WANG Tianyu	Beneficial Owner	Domestic Shares	18,928	0.0004%	0.0005%
ZHANG Rongshun	Beneficial Owner	Domestic Shares	51,612	0.001%	0.0014%
	Interest of spouse	Domestic Shares	47,259	0.0009%	0.001%
XU Jianxin	Interest in a Controlled Corporation	Domestic Shares	262,000,000	5.10%	6.86%

Supervisors

Name of Supervisor	Nature of Interest	Class	Number of Shares in our Bank	Approximate percentage of interest in our Bank	Approximate percentage in the relevant class of Shares of our Bank
DUAN Ping	Beneficial Owner	Domestic Shares	4,000	0.00008%	0.0001%
ZHANG Chunge	Beneficial Owner	Domestic Shares	14,056	0.0003%	0.0004%
ZHU Zhihui	Interest in a Controlled Corporation	Domestic Shares	199,046,474	3.87%	5.21%

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 with 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 salaries, bonus, social security plans, housing fund and other allowances, benefits in kind and discretionary bonus) paid by our Bank to our Directors and Supervisors for the year ended December 31, 2014 was RMB11.94 million.

Pursuant to the currently effective arrangements, for the year ending December 31, 2015, it is estimated that the aggregate remuneration and benefits in kind to be received by the Directors and Supervisors would be approximately RMB11.87 million.

E. Personal Guarantees

No Director or Supervisor has provided personal guarantees for the benefit of the lenders in connection with any banking facilities granted to us.

F. Agency Fees or Commissions Paid or Payable

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "4E" in Appendix VII to this prospectus had received any commissions, discounts, agency fees, brokerages or other special terms from us in connection with the issuance or sale of any capital of our Bank within the two years preceding the date of this prospectus.

G. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors or any party listed under paragraph 4E of the Appendix VII of this prospectus 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;

   (ii) materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant 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 4E of 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 close associates or any Shareholders of our Bank who, to the knowledge of the 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 that has 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.

4. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that currently there is no material liability for estate duty under PRC laws that is likely to be imposed on us.

B. Litigation

Save as disclosed in "Business — Legal and Regulations", as of the Latest Practicable Date 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.

C. Sponsors

The Joint Sponsors have 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.

CITIC CLSA Capital Markets Limited, one of the Joint Sponsors, does not consider itself to be independent from our Bank according to Rule 3A.07 of the Listing Rules. CITIC CLSA Capital Markets Limited and its affiliates have current business relationships with our Bank which may be considered to affect CITIC CLSA Capital Markets Limited's independence for the purpose of Rule 3A.07 of the Listing Rules.

BOCOM International (Asia) Limited, one of the Joint Sponsors, satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will charge a total amount of HK$6 million in aggregate as the Sponsors' fee.

D. Preliminary Expenses

Our preliminary expenses are estimated to be approximately RMB590,000 and are 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	Qualification
CITIC CLSA Capital Markets Limited	Licensed corporation licensed under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
BOCOM International (Asia) Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
King & Wood Mallesons	Legal advisors on PRC law
KPMG	Certified public accountants

F. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospect of our Bank since June 30, 2015.

G. 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.

H. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus, 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;

(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 abroad;

(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.

I. Consents

CITIC CLSA Capital Markets Limited and BOCOM International (Asia) Limited, as the Joint Sponsors; King & Wood Mallesons, as our legal advisor on PRC law; and KPMG, as our reporting accountants, 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 any member of our Bank or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Bank.

J. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published, respectively, 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 of our Bank comprised 313 corporate shareholders and 9,062 individual shareholders of the former 47 urban credit cooperatives and the sales department of 1 joint urban credit cooperative, the Zhengzhou Finance Bureau and 14 new corporate Shareholders. Please see "Our History and Operational Reform".

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 transactions described in this prospectus.

L. Particulars of the Selling Shareholders

1 Zhengzhou Development & Investment Group Co. Ltd. (鄭州發展投資集團有限公司), located at No. 39 Xinghua South Street, Erqi District, Zhengzhou. Its principal business is construction of urban infrastructural facilities, integrated development of cities, land development operation and clearing, engineering construction, design and technical consultancy, and master contracting of municipal projects and maintenance of municipal roads and bridges.

2 Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), located at No. 1 Songshan South Road, Zhengzhou. Its principal business is investment and operation of state-owned assets.

3 Bridge Trust Company Limited (百瑞信託有限責任公司), located at Zhongyuan Guangfa Finance Building, No. 10 Shangwu Waihuan Road, Zhongdong New District, Zhengzhou. Its principal business includes its local and foreign currency business.

4 Henan Investment Group Limited (河南投資集團有限公司), located at Investment Building, No. 41 Nongye Road East, Zhengzhou. Its principal business is investment management, investment in construction projects, industrial production materials and machinery equipment required by construction projects, sales of products and raw materials from the investment projects.

5 Central Plains Environmental Protection Co., Ltd. (中原環保股份有限公司), located at Level 13, Zhonghua Building, No. 3 Shangwu Waihuan Road, Zhongdong New District, Zhengzhou. Its principal business is sewage and sludge treatment, vegetation, reclaimed water usage, heat supply and pipeline network maintenance, domestic trade and technical services.

6 Henan Non-ferrous Geological Minerals Limited (河南有色地質礦產有限公司), located at No. 16 Jinshui East Road, Zhengdong New District, Zhengzhou. Its principal business is geological survey consulting services, assay and analysis.

7 Henan Expressway Development Company Limited (河南高速公路發展有限責任公司), located at No. 19 Huaihe East Road, Zhengzhou. Its principal business includes investment, operation and management of traffic infrastructural facilities.

8 Henan Transport Industry Development Limited (河南交通實業發展有限公司), located at No. 93 Zhongyuan Road, Zhengzhou. Its principal business includes sales of road construction materials, road maintenance machinery and equipment, tools, electrical and mechanical products.

9 China Great Wall Aluminum Company (中國長城鋁業公司), located at No. 28 Changqian Road, Shangjie District, Zhengzhou. Its principal business includes cement production, export business for self-produced products and related technologies.

10 Zhengzhou Dengdian Coal Industry Development Limited (鄭州登電煤業開發有限公司), located at the Yangcheng industrial zone of Dengfeng city. Its principal business is investment, management and sales of coal resources.

11 Zhengzhou Erqi Township and Rural Renovation Construction Development Limited (鄭州市二七城鄉更新建設開發有限公司), located at No. 809, Level 8, Huanggang Temple Office Complex, No. 169, South Third Ring, Songshan South Road, Erqi District, Zhengzhou. Its principal business is building and construction of infrastructural facilities, development and sales of real estate and renovation of old township.

12 Zhengzhou Guancheng Construction Integrated Development Corporation (鄭州市管城建設綜合開發總公司), located at No. 117 Chengdong South Road, Guancheng District, Zhengzhou. Its principal business is real estate development and operation and property agency.

13 China Petrochemical Sales Limited (中國石化銷售有限公司), located at 18th Floor, No. 22 Chaoyangmen North Street, Chaoyang District, Beijing. Its principal business includes wholesale of gasoline, petrol, diesel, liquefied petroleum gas and natural gas, and sales of general food products.

14 Henan Province Grain Trading and Logistics Market Limited (河南省糧食交易物流市場有限公司), located at No. 19 Huayuan Road, Zhengzhou. Its principal business includes grain purchase, general goods transportation, organize spot trading and quality inspection of agricultural products, collection and distribution of grain and oil information, storage, residential property leasing, and import and export businesses of goods and technologies.

15 Zhengzhou Chengxin Asset Operation Limited (鄭州誠信資產經營有限公司), located at No. 81 Zhongxin Road, Shangjie District, Zhengzhou. Its principal business is capital operation, fixed asset management, management of surplus assets from corporate restructuring, undertaking construction and management of infrastructural projects, construction material operations, asset management and disposals entrusted by the government.

16 Zhengzhou Xindeng Business Enterprise Group Limited (鄭州新登企業集團有限公司), located at the Industry Cluster Zone of Dengfeng city. Its principal business is investment and management of industries, hotel management, and providing technical services for coal, electricity, electrical and mechanical engineering, metallurgy, ceramics, fashion and cement industries.

17 Zhengzhou Zhongyuan City Development Construction and Investment Limited (鄭州市中原城市開發建設投資有限公司), located at Block 1, No. 206 Tongbo Road, Zhongyuan District, Zhengzhou. Its principal business is investment in urban relocation, demolition and resettlement, investment and construction on commercial land plots in Zhongyuan District, development and operation of real estate and wholesale and retail sales of construction materials and decoration materials.

18 Henan China Tobacco Industry Company Limited (河南中煙工業有限責任公司), located at No. 16 Yulin South Road, Zhengzhou. Its principal business is production and sales of cigarettes and cigars and related business.

19 Zhengzhou Three Electricity Office (鄭州市三電辦公室), located at No. 9 Huai He Road, Zhengzhou. It is a local government agency.

20 Henan Provincial People's Hospital (河南省人民醫院), located at No. 7 Weiwu Road, Jinshui District, Zhengzhou. Its principal business is provision of medical and healthcare services.

21 Finance Bureau of Shangjie District, Zhengzhou (鄭州市上街區財政局), located at No. 6 Dengfeng Road, Shangjie District, Zhengzhou. It is a local government agency.

22 Henan Provincial Committee Office of the Communist Party of China (中共河南省委辦公廳), located at No. 17 Jinshui Road, Jinshui District, Zhengzhou. It is a local government agency.

23 China Jianyin Investment Company Limited (中國建銀投資有限責任公司), located at Level 7 — 14, Block 2, Court No. 1, Naoshikou Avenue, Xicheng District, Beijing. Its principal business is investment and investment management, asset management and disposal, corporate management, property leasing and consultancy.

24 State Grid Yingda Group Limited (國網英大國際控股集團有限公司), located at Building No. 1, No. 18B Jianguomennei Avenue, Dongcheng District, Beijing. Its principal business is investment and asset operation management, asset custody, provision of investment consulting and advisory services.

25 Henan Province Jinshui Investment Management Limited (河南省金水投資管理有限公司), located at Room 505, West Wing Office Building, No. 16 Dongfeng Road, Jinshui District, Zhengzhou. Its principal business is investment, operation and management of state-owned assets.

26 Henan Province Xinhua Book Store Issuing Group Limited (河南省新華書店發行集團有限公司), located at No. 1 Office Complex, No. 186 Third Avenue, Zhengzhou Economic and Technological Development Zone. Its principal business includes wholesale and retail sales of domestic publications.

27 Henan No. 1 Coal-Fired Power Construction Company (河南第一火電建設公司), located at No. 3 Jiankang Road, Jinshui District, Zhengzhou. Its principal business includes provision of construction works for electrical engineering, housing construction, urban and road illumination projects.

28 China Tobacco Henan Import and Export Company Limited (中國煙草河南進出口有限責任公司), located at Yuyan Building, No. 15 Jingsanlu North, Zhengzhou. Its principal business includes export of re-dried tobacco leaves, import and export of cigarettes and related products.

29 Zhengzhou Labor Agrochemicals Limited (鄭州蘭博爾科技有限公司), located at No. 57 Chengdong South Road, Zhengzhou. Its principal business includes production and sales of agricultural chemicals, fertilizers, chemical products, machinery products, plastic products; research and development, technical services and technical consulting for agricultural chemicals, fertilizers and chemical products, and import and export business of related products and technologies.

30 Henan Electric Power Material Company (河南電力物資公司), located at No. 87 Songshan South Road, Zhengzhou. Its principal business includes wholesale and retail of products such as metal materials, building materials, timber, chemical products, electrical products, electrical appliances and machinery, instrument and apparatus, electrothermal tools, and provision of equipment, technical service and consultation.

31 Henan Provincial Film Company (河南省電影公司), located at No. 83 Jinshui Road, Zhengzhou. Its principal business is film distribution, screening and related business.

32 China National Tobacco Corporation Henan Provincial Company (中國煙草總公司河南省公司), located at No. 7 Zhengqi Street, Zhengzhou. Its principal business is operation of monopolized tobacco, import and export trade of monopolized tobacco and industrial investment.

33 Zhengzhou Water Supply Investment Holdings Limited (鄭州自來水投資控股有限公司), located at No. 67 Zhongyuan West Road, Zhengzhou. Its principal business includes supply of water to cities and villages, and water quality monitoring, laying down water supply and drainage pipe network and equipment, management and maintenance, and ancillary services relating to water supply and drainage.

34 The People's Bank of China Zhengzhou Training College (中國人民銀行鄭州培訓學院), located at No. 29 Zhenghua Road, Jinshui District, Zhengzhou. Its principal business is providing training services to cadres of PBoC.

35 Zhengzhou Traditional Chinese Medicine Hospital (鄭州市中醫院), located at No. 65 Wenhuagong Road, Zhongyuan District, Zhengzhou. Its principal business is the provision of medical, nursing and healthcare services.

36 Zhengzhou Orthopaedics Hospital (鄭州市骨科醫院), located at No. 58 Longhai Middle Road, Erqi District, Zhengzhou. Its principal business is providing medical services, diagnosing and treating orthopaedic diseases.

37 Yellow River Landscape Group Limited (黃河園林集團有限公司), located at No. 12 Jinshui Road, Zhengzhou. Its principal business is undertaking, maintaining and managing landscaping projects, engaging in the cultivation, production and operation of landscaping seedlings, flowers, miniature landscape and lawn, and engaging in landscaping technology consultation, training and information services.

38 Henan Provincial Coal Sales Group Transportation and Sales Limited (河南省煤炭銷售集團運銷有限公司), located at No. 21 Jinshui Road, Zhengzhou. Its principal business is coal wholesale operations, leasing of houses, sales of hardware and electrical equipment, sales of building materials, mechanical equipment and coal mine machinery accessories, and provision of technical and consultation service.

39 Staff Development Institute of China National Tobacco Corporation (中國煙草總公司職工進修學院), located at No. 7 Xinyuan Road, Jinshui District, Zhengzhou. Its principal business is providing technical training services to staff in the tobacco industry.

40 Zhengzhou No. 7 People's Hospital (鄭州市第七人民醫院), located at No. 17 Jingnan Fifth Road, Zhengzhou Economic and Technological Development Zone. Its principal business is providing medical, nursing and healthcare services.

41 Zhengzhou Huahua Textile Trading Company (鄭州市華華紡織品貿易公司), located at Level 4, Henan Huajian Commercial Building, No. 6 Minzhu Road, Erqi District, Zhengzhou. Its principal business is engaging in knitwear and textile, woolen cloth and silk fabrics, general merchandise and apparel related business.

42 Zhengzhou City Heating Corporation (鄭州市熱力總公司), located at No. 1 Songshan South Road, Erqi District, Zhengzhou. Its principal business is provision of heating service.

43 Henan People's Publishing House Company Limited (河南人民出版社有限責任公司), located at No. 66 Jingwu Road, Jinshui District, Zhengzhou. Its principal business is publication of theoretical writings and other research works.

44 Songshan Hotel Zhengzhou (鄭州市嵩山飯店), located at No. 156 Yihe Road, Zhongyuan District, Zhengzhou. Its principal business is provision of accommodation and catering services.

45 Zhengzhou City Yinhua Agency Service Company (鄭州市銀花代辦服務公司). The Shares sale procedures shall be handled by the Sales Office of Industrial and Commercial Bank of China Limited, Henan Branch (中國工商銀行股份有限公司河南省分行營業部) on its behalf [1].

46 Henan Songyue Company Limited (河南嵩嶽有限責任公司), located at Building No. 1, Mianfang West Road, Zhengzhou. Its principal business is engaging in knitwear and textile, textile machinery and accessories, dye, textile raw materials, chemical raw materials, instrument and apparatus related business.

47 Yaoqiao Town Foundation of Jinshui, Zhengzhou (鄭州市金水區姚橋鄉基金會). The Shares sale procedure shall be handled by the Xingda Road Office of Jinshui, Zhengzhou (鄭州市金水區興達路街道辦事處) on its behalf [2].

48 Miaoli Town Foundation of Jinshui, Zhengzhou (鄭州市金水區廟李鄉基金會). The Shares sale procedure shall be handled by the Fengqing Road Office of Jinshui, Zhengzhou (鄭州市金水區豐慶路街道辦事處) on its behalf [3].

49 Zhengzhou Yifa Industrial Limited (鄭州市易發實業有限公司), located at west side of Yimian Living Quarter Club, Zhengzhou. Its principal business includes engaging in textile, textile equipment, textile pulp, hardware, electrical equipment, chemical, building materials, standard parts, fasteners and general merchandise related business.

50 Henan Electric Power Scientific Test and Technology Institute Labor Service Company (河南省電力科試技術所勞動服務公司). The Shares sale procedure shall be handled by the Electric Power Science Research Institute of State Grid Henan Electric Power Company (國網河南省電力公司電力科學研究院) on its behalf[4].

51 Zhengzhou City Erqi District Wulibao Labor Service Company (鄭州市二七區五里堡勞動服務公司), located at No. 5 Jianxin Street, Erqi District, Zhengzhou. Its principal business is engaging in general merchandise and apparel, hardware and electrical materials related business.

52 Henan Provincial Textile Industry Department Labor Service Company (河南省紡織工業廳勞動服務公司) (currently known as The Textile Institute Service Centre of the State-owned Assets Supervision and Administration Commission of the People's Government of Henan Province (河南省人民政府國有資產監督管理委員會紡織機關服務中心)), located at No. 70 Shichang Street, Zhongyuan District, Zhengzhou. Its principal business is providing logistics services for office work and employee living.

53 Henan Textile Research Institute Limited (河南紡織研究院有限公司), located at No. 92 Tongbo North Road, Zhengzhou. Its principal business is provision of technical and consulting services, engaging in textiles testing, production and sale of knitwear, textile, dye products, related raw materials, equipment and related business.

54 Henan Electric Power Survey & Design Institute Labor Service Company (河南省電力勘測設計院勞動服務公司), located at No. 212 Zhongyuan Road, Zhongyuan District, Zhengzhou. Its principal business is photocopying and typing.

55 Zhengzhou Administration for Industry and Commerce Living Service Centre (鄭州市工商行政管理局生活服務中心), located at No. 16 Daxue Road, Erqi District, Zhengzhou. Its principal business is providing logistics services for office work and employee living.

56 Youth Services Centre of Zhengzhou Foreign Mine Trading Company (鄭州外貿工礦公司青年服務部). The Shares sale procedure shall be handled by the liquidation receiver of Henan Zhengzhou Mineral Product Import and Export Company (河南省鄭州市工礦產品進出口公司)[5].

57 Zhengzhou Aluminium City Industrial Development Corporation (鄭州鋁城實業開發總公司), located at Changqian Road, Shangjie District, Zhengzhou. Its principal business is processing, manufacturing and sale of products of, and purchase and sales of raw materials of its subsidiaries and related business.

58 Henan Zhengzhou Zhongyuan State Grain Reserve Depot (河南鄭州中原國家糧食儲備庫), located at No. 263, Chengdong Road, Guancheng District, Zhengzhou. Its principal business is procurement, custody, rotation of grain and oil reserves at the central, provincial and municipal levels; procurement of grain and oil products, by-products and other food products.

Notes:

(1) Zhengzhou City Yinhua Agency Service Company (鄭州市銀花代辦服務公司) (hereinafter the "Yinhua Agency") was a Shareholder as shown in the register of members and share certificate(s) of the Bank. It was a company established by Zhengzhou City Garden Road Sub-branch of Industrial and Commercial Bank of China, which was subordinate to the Sales Office of Industrial and Commercial Bank of China Limited, Henan Branch (hereinafter the "ICBC Branch Sales Office"). As a result of the cessation of business operation and dissolution of Yinhua Agency the Shares sale procedures shall be handled by the ICBC Branch Sales Office on behalf of Yinhua Agency. Yinhua Agency has no address available and ICBC Branch Sales Office is located at Suite 101, 1-2/F, 219 Jinshui Road, Jinshui District, Zhengzhou and engages in financial services.

(2) Yaoqiao Town Foundation of Jinshui, Zhengzhou (鄭州市金水區姚橋鄉基金會) (hereinafter the "Yaoqiao Town Foundation") was a Shareholder as shown in the register of members and share certificate(s) of the Bank. Due to the winding up of Yaoqiao Town Foundation, Yaoqiao Town Government of Jinshui, Zhengzhou (which was subsequently split up into two street offices) shall handle matters relating to the winding up of Yaoqiao Town Foundation in accordance with the relevant government documents. The People's Government of Jinshui District, Zhengzhou (鄭州市金水區人民政府) had entrusted and authorized Xingda Road Office of Jinshui, Zhengzhou (鄭州市金水區興達路街道辦事處) (hereinafter the "Xingda Road Office") to handle the Shares sale procedures on behalf of Yaoqiao Town Foundation. Yaoqiao Town Foundation has no address available and Xingda Road Office is located at the junction between Xuexia South Street and Xiaoxia Street, Zhengzhou and is a local government agency.

(3) Miaoli Town Foundation of Jinshui, Zhengzhou (鄭州市金水區廟李鄉基金會) (hereinafter the "Miaoli Town Foundation") was a Shareholder as shown in the register of members and share certificate(s) of the Bank. Due to the winding up of Miaoli Town Foundation, Miaoli Town Government of Jinshui, Zhengzhou (which subsequently became Fengqing Road Office of Jinshui, Zhengzhou (鄭州市金水區豐慶路街道辦事處)) (hereinafter the "Fengqing Road Office") shall handle matters relating to the winding up of Miaoli Town Foundation in accordance with the relevant government documents. The Shares sale procedures shall be handled by the Fengqing Road Office on behalf of Miaoli Town Foundation. Miaoli Town Foundation has no address available and Fengqing Road Office is located at 106 Guoji Road, Jinshui, Zhengzhou and is a local government agency.

(4) Henan Electric Power Scientific Test and Technology Institute Labor Service Company (hereinafter the "Labor Service Company") was a Shareholder as shown in the register of members and share certificate(s) of the Bank, and is an entity established by Electric Power Science Research Institute of State Grid Henan Electric Power Company (國網河南省電力公司電力科學研究院) (hereinafter the "Science Research Institute"). As a result of the de-registration of Labor Service Company, the Shares sale procedure shall be handled by the Science Research Institute. Labor Service Company has no address available and Science Research Institute is located at No. 85 Songshan South Road, Erqi District, Zhengzhou and is principally engaged in electric power technical services and electric power consultation service.

(5) Youth Services Centre of Zhengzhou Foreign Mine Trading Company (鄭州外貿工礦公司青年服務部) (hereinafter the "Youth Services Centre") was a Shareholder as shown in the register of members and share certificate(s) of the Bank. As Henan Zhengzhou Mineral Product Import and Export Company (河南省鄭州市工礦產品進出口公司) (hereinafter the "Zhengzhou Mineral Company") is in liquidation, Zhengzhou Intermediate Court of Henan Province appointed an liquidation receiver for Zhengzhou Mineral Company (hereinafter the "Mineral Receiver"). According to the written confirmation issued by Zhengzhou Bureau of Commerce (鄭州市商務局) on March 27, 2013, Youth Services Centre was an internal office of Zhengzhou Mineral Company, and its shareholding in the Bank shall be owned by Zhengzhou Mineral Company. Accordingly, the Shares sale procedures shall be handled by the Mineral Receiver. Youth Services Centre has no address available and Mineral Receiver is located at No.80 Jinshui Road, Zhengzhou.

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 entitled "4I. Consents" in Appendix VII to this prospectus;

(c) copies of each of the material contracts referred to in the paragraph entitled "2A. Summary of Our Material Contracts" in Appendix VII to this prospectus; and

(d) the statement of particulars of the Selling Shareholders.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons at 13th 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 the prospectus:

(a) our Articles of Association;

(b) the accountants' report from KPMG in respect of the historical financial information for each of the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the text of which is set forth in Appendix I to this prospectus;

(c) the unaudited supplementary financial information of our Bank, the 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 our Bank, the text of which is set forth in Appendix III to this prospectus;

(e) the audited financial statements of our Bank for each of the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015;

(f) the material contracts referred to in the paragraph entitled "2A. Summary of Our Material Contracts" in Appendix VII to this prospectus;

(g) the written consents referred to in the paragraph entitled "4I. Consents" in Appendix VII to this prospectus;

(h) the service contracts referred to in the paragraph entitled "3C. Particulars of Service Contracts" in Appendix VII to this prospectus;

(i) the legal opinions issued by King & Wood Mallesons, our legal advisors as to PRC law, in respect of the general matters and property interests of our Bank;

(j) copies of the following PRC law, 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 PRC Arbitration Law;

vi. the PRC Civil Procedure Law; and

vii. the PRC Commercial Banking Law.

郑州银行
BANK OF ZHENGZHOU