江西銀行
JIANGXI BANK

江西銀行股份有限公司
Jiangxi Bank Co., Ltd.

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

Stock Code: 1916

GLOBAL OFFERING

Joint Sponsors

建银国际 CCB International

CLSA A CITIC Securities Company

Joint Global Coordinators

建银国际 CCB International

CLSA A CITIC Securities Company

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安信國際 ESSENCE INTERNATIONAL

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ICBC 工银国际

光銀國際 CEB International

海通國際 HAITONG

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

***IMPORTANT:** If you are in doubt about any information contained in this prospectus, you should obtain independent professional advice.*

JIANGXI BANK CO., LTD.*
江西銀行股份有限公司*

(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	**:**	**1,170,000,000 H Shares (subject to the Over-allotment Option)**
Number of Offer Shares in the International Offering	**:**	**1,082,250,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**87,750,000 H Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$6.66 per H Share (payable in full on application in Hong Kong dollars, subject to refund on final pricing), plus brokerage of 1%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**1916**

Joint Sponsors

Joint Global Coordinators

Joint Bookrunners

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Appendix VIII – Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above. The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Underwriters) and the Bank on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, June 19, 2018 and, in any event, not later than Friday, June 22, 2018. The Offer Price will be no more than HK$6.66 per Offer Share and is currently expected to be no less than HK$5.94 per Offer Share unless otherwise announced. If, for whatever reason, the Offer Price is not agreed by Friday, June 22, 2018, between the Joint Representatives (on behalf of the Underwriters) and the Bank, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Bank was incorporated, and substantially all of the Bank's businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated businesses. 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 the Bank's Shares. See "Risk Factors", "Supervision and Regulation", "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association".

The Joint Representatives (on behalf of the Underwriters) may, with the Bank's consent reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range stated in this prospectus (which is HK$5.94 to HK$6.66 per H Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicated offer price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese). Such notice will also be available on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Bank at **www.jx-bank.com**. See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "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 outside the United States in accordance with Regulation S or other available exemptions from registration under the U.S. Securities Act of 1933, as amended.

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

June 13, 2018

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, June 19, 2018
Application lists open[3]	11:45 a.m. on Tuesday, June 19, 2018
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, June 19, 2018
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, June 19, 2018
Latest time for completing payment for **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, June 19, 2018
Application lists close[3]	12:00 noon on Tuesday, June 19, 2018
Expected Price Determination Date[5]	Tuesday, June 19, 2018

(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**[6] and the Bank's website at **http://www.jx-bank.com**[6] on	Monday, June 25, 2018
(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 (see "How to Apply for Hong Kong Offer Shares – 11. Publication of Results") from	Monday, June 25, 2018
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	Monday, June 25, 2018
H Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before[7]	Monday, June 25, 2018
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be despatched on or before[8][9]	Monday, June 25, 2018
Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at	9:00 a.m. on Tuesday, June 26, 2018

Notes:

(1) All dates and times refer to Hong Kong local time, except as otherwise stated. For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, please refer to the section headed "Structure of the Global Offering."

(2) You will not be permitted to submit your application to the White Form eIPO Service Provider 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 the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 19, 2018, the application lists will not open on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" for further details.

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

(5) The Price Determination Date is expected to be on or about Tuesday, June 19, 2018, and, in any event, not later than Friday, June 22, 2018. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and the Bank on or before Friday, June 22, 2018, the Global Offering will lapse.

(6) None of the website or any of the information contained on the website 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 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 prior to 8:00 a.m. on the Listing Date. 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 under the Hong Kong Public Offering and have provided all required information may collect refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person from the Bank's 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 Monday, June 25, 2018. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives each bearing a letter of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity to the Bank's H Share Registrar. Uncollected H Share certificates and refund cheques will be dispatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. For details of the arrangements, please refer to the section headed "How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies."

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 9:00 a.m. on the Listing date (which is expected to be on or about Tuesday, June 26, 2018). Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Shares certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus respectively.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Bank has 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 the Bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Underwriters, any of the Bank's or their respective directors, officers or representatives, or any other 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 the section entitled "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

The Bank is the only provincial city commercial bank in Jiangxi Province, China. In 2017, the Bank ranked 329th among the "Top 1000 World Banks" in terms of tier-one capital as of December 31, 2016 and 22nd among all PRC city commercial banks in terms of total assets as of December 31, 2016 by *The Banker*. According to the PBoC, in terms of balance of RMB-denominated deposits at the end of 2017, the Bank ranked sixth among all banks in Jiangxi Province and first among all banks in Nanchang.

The Group has established a broad business network covering Jiangxi Province with strong support from branches located in Guangzhou and Suzhou. The strategic layout of its business network allows the Group to hold a strong market leading position in Jiangxi Province, one of the fastest growing provinces in China in recent years, while effectively penetrating into the economically developed Pearl River Delta and Yangtze River Delta Economic Zones. Through years of efforts, the Group has successfully established and enhanced its long-term relationships with government agencies, public institutions and enterprises with strategic importance in Jiangxi Province and China. As of the Latest Practicable Date, the Group's corporate banking customers included many quality state-owned and private enterprises in Jiangxi Province, covering a wide range of industries. In addition, as of December 31, 2017, the Group has entered into strategic cooperation agreements with nearly 20 governments at the level of municipality, district and county, and more than 100 large enterprise groups, allowing it to get priority in participating in large-scale projects in these areas.

The Group has grown rapidly during the Track Record Period. The Group's total assets increased by 75.0%, from RMB211.4 billion as of December 31, 2015 to RMB370.0 billion as of December 31, 2017. The Group's operating income increased from RMB6,892.3 million for the year ended December 31, 2015 to RMB9,452.3 million for the year ended December 31, 2017. The Group's net profit increased from RMB772.8 million for the year ended December 31, 2015 to RMB2,914.8 million for the year ended December 31, 2017.

THE GROUP'S COMPETITIVE STRENGTHS

The Group's strengths include:

- Being the only provincial city commercial bank in Jiangxi Province, the Group benefited significantly from rapid economic growth in Jiangxi Province in recent years, which exceeded most parts of China. In addition, through its visionary strategic layout in Pearl River Delta and Yangtze River Delta Economic Zones, the Group successfully achieved resource complementarity and coordinated development among different business arms.

- Capitalizing on its deep understanding of the characteristics of the regional economy, the Group has expanded comprehensive corporate banking business. It has also seized opportunities to provide competitive products and services for small and micro enterprises.

- In line with its strategy of transforming into a "profit-from-customers (由客獲利)" business model, the Group invested in innovation of technology and optimization of its business network according to a study of customers' preferences and habits in different scenes, and has successfully secured its leading position in retail banking business.

- The Group adopted a proactive and prudent approach in developing financial markets business, and successfully established a new engine for economic development and expanding its source of income.

- The Group implemented the strategy of "leading in technology (科技領先)" and continuously invested in improving its technological innovation capabilities to improve competitiveness, as a result of which, the Group became the forerunner in the market.

- The Group has established a sound risk management system and steadily improved the quality of its assets while achieving business expansion.

- The Group has an excellent management team supported by a sound personnel training and appraisal system. It has established a corporate culture of "Creativity without Boundaries and Devotion to Future Success (創無止境,心有未來)" and laid a solid foundation for the establishment and continuous improvement of the Group's leading position in the market.

For details of the Group's strengths, please see "Business – The Group's Competitive Strengths" on page 138 of this prospectus.

THE GROUP'S DEVELOPMENT STRATEGIES

The strategic objective of the Group is to become the nation's tier-one city commercial bank group with high cooperativity and efficiency, standard management, distinctive features which is widely recognized by the public, by focusing in Jiangxi Province and promoting economic cooperation between Jiangxi Province and the Pearl River Delta and the Yangtze River Delta. The Group seeks to achieve its vision through the following strategies:

- The Group intends to seize opportunities brought up by the rapid economic development of Jiangxi Province, and actively expand business in Guangzhou and Suzhou, so that it could further enhance its existing advantages.

- The Group intends to vigorously promote online financial products and services, strengthen technological innovation capacities, and enhance operation efficiency.

- The Group will further improve its retail banking channels, and promote transformation of the business concept of "Broad Retail Banking (大零售銀行)" where the customer can receive one-stop retail banking products and services.

- The Group plans to continue developing the unique characteristics of its small and micro financial business to consolidate corporate banking business advantages.

- The Group intends to vigorously expand its investment banking and asset management businesses, and optimize its business income structure.

- The Group will further deepen and enhance its general risk management and internal control standards, to continuously improve corporate governance and maintain good asset quality.

- The Group will constantly optimize its human resources system, and attract and cultivate high-quality talents.

For details of the Group's strategies, please see "Business – The Group's Development Strategies" on page 147 of this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical financial information set forth below in conjunction with the Group's financial information included in the Accountants' Reports set forth in Appendix I, which were prepared in accordance with IFRS, and the sections headed "Assets and Liabilities" and "Financial Information" of this prospectus. The consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2015, 2016 and 2017 and the consolidated statements of financial positions as of December 31, 2015, 2016 and 2017 set out below have been derived from the Accountant's report set out in Appendix I to this prospectus.

Selected Data from the Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following table sets forth selected data from the consolidated statement of profit or loss and other comprehensive income for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
	(in millions of RMB)		
Interest income	10,155.7	12,786.0	15,393.7
Interest expense	(3,914.6)	(4,959.8)	(7,912.6)
Net interest income	6,241.1	7,826.2	7,481.1
Fee and commission income	593.1	1,017.7	1,643.8
Fee and commission expense	(45.4)	(56.0)	(153.1)
Net fee and commission income	547.7	961.7	1,490.7
Net trading gains/(losses)	49.5	(61.1)	(110.0)
Net gains arising from investment securities	0.1	234.4	572.9
Other operating income(1)	53.9	23.2	17.6
Operating income	6,892.3	8,984.4	9,452.3
Operating expenses	(2,399.1)	(2,957.6)	(3,147.4)
Operating profit	4,493.2	6,026.8	6,304.9
Impairment losses on assets	(3,515.9)	(3,614.5)	(2,575.8)
Share of (losses)/profits of associates	(11.7)	1.2	12.0
Profit before tax	965.6	2,413.5	3,741.1
Income tax	(192.8)	(735.6)	(826.3)
Net profit for the year	**772.8**	**1,677.9**	**2,914.8**

Note:

(1) Consist primarily of foreign exchange gains/(losses), rental income, government grants, net (losses)/gains on disposal of non-current assets and others.

For more details, please see "Financial Information – Selected Financial Data" on page 362 of this prospectus. In particular, for more details on the distribution of corporate loans by industry, please see "Assets and Liabilities – Assets – Loans to Customers – Distribution of Corporate Loans by Industry" on page 311 of this prospectus. For details of the distribution of loans by loan classification, please see "Assets and Liabilities – Asset Quality of the Group's Loan Portfolio – Distribution of Loans by Loan Classification" on page 327 of this prospectus. For details of the Group's interest-earning assets and interest-bearing liabilities, please see "Financial Information – Results of Operations for the Years Ended December 31, 2016 and 2017 – Net Interest Income" on page 365 of this prospectus and "Financial Information – Results of Operations for the Years Ended December 31, 2015 and 2016 – Net Interest Income" on page 386 of this prospectus.

The Group's principal lines of businesses include corporate banking (including financial leasing services provided through the Bank's subsidiary, Jiangxi Financial Leasing), retail banking, and financial markets. For details of the Group's financial leasing business, please see "Business – Financial Leasing Company" on page 192 of this prospectus. The following table sets forth the Group's operating income by segments for the periods indicated.

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Corporate banking	4,269.3	61.9%	5,137.4	57.2%	5,142.5	54.4%
Retail banking	1,377.7	20.0%	1,356.3	15.1%	1,806.9	19.1%
Financial markets(1)	1,241.1	18.0%	2,551.1	28.4%	2,577.5	27.3%
Others(2)	4.2	0.1%	(60.4)	(0.7)%	(74.6)	(0.8%)
Total	**6,892.3**	**100.0%**	**8,984.4**	**100.0%**	**9,452.3**	**100.0%**

Notes:

(1) Consists primarily of money market transactions, investment business, asset management, debt securities underwriting and distribution, and bill discounting and rediscounting.
(2) Consists primarily of income or expense that is not directly attributable to any specific business segment such as (a) internal net interest expense arising from internal charges and transfer pricing adjustments. In 2015, 2016 and 2017, internal net interest expense of this segment amounted to RMB34.6 million, RMB78.2 million and RMB78.3 million, respectively; (b) net fee and commission income or expense; and (c) other income, gain or loss, which include rental income, net gains or losses on disposal of non-current assets, government grants and donations. In 2016 and 2017 the Group recorded losses in this business segment mainly caused by the internal net interest expenses arising from the internal funds used for acquiring property and equipment such as premises that is not directly attributable to any specific business segment.

In managing its investment business, the Group mainly invests in Standard Investment Products and Non-standard Credit Assets. During the Track Record Period, the Group's investment business experienced significant growth. As of December 31, 2015, 2016 and 2017, the Group's investments in Standard Investment Products and Non-standard Credit Assets amounted to RMB79,682.5 million, RMB157,332.0 million and RMB188,429.7 million, respectively, accounting for 37.6%, 50.1% and 50.9%, respectively, of the Group's total assets, as of the same dates.

The following table sets forth a breakdown of the total balance of the Group's Standard Investment Products and Non-standard Credit Assets as of the dates indicated. For details on the Group's investment business, please see the section headed "Business – The Group's Principal Business Activities – Financial Markets – Investment Business" on page 168 of this prospectus.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Standard Investment Products	25,580.8	32.1%	28,122.3	17.9%	37,178.4	19.7%
Non-standard Credit Assets						
Trust plans	31,256.0	39.2%	41,911.4	26.6%	67,380.9	35.8%
Asset management plans	20,162.0	25.3%	54,244.8	34.5%	65,109.5	34.6%
Wealth management products issued by other PRC commercial banks	1,512.5	1.9%	5,810.0	3.7%	4,020.3	2.2%
Investment funds and others[1]	1,171.2	1.5%	27,243.5	17.3%	14,740.6	7.7%
Sub-total	54,101.7	67.9%	129,209.7	82.1%	151,251.3	80.3%
Total	**79,682.5**	**100.0%**	**157,332.0**	**100.0%**	**188,429.7**	**100.0%**

Note:

(1) Consists primarily of monetary market funds and bond funds.

The following table sets forth a breakdown of the Group's interest income from its Standard Investment Products and Non-standard Credit Assets and their respective average rate of return for the periods indicated.

	For the year ended December 31,								
	2015			2016			2017		
	Amount	% of total	Average rate of return[1]	Amount	% of total	Average rate of return[1]	Amount	% of total	Average rate of return[1]
	(in millions of RMB, except percentages)								
Interest income									
Standard Investment Products	804.3	23.3%	3.8%	1,045.9	19.1%	3.9%	1,516.8	20.3%	4.6%
Non-standard Credit Assets	2,652.0	76.7%	6.0%	4,424.1	80.9%	4.8%	5,960.9	79.7%	4.3%
Total	**3,456.3**	**100.0%**	**5.3%**	**5,470.0**	**100.0%**	**4.6%**	**7,477.7**	**100.0%**	**4.3%**

Note:

(1) Calculated by dividing (i) the Group's income from the corresponding assets in the period, by (ii) the average balance of these assets at the beginning and the end of the period.

LOANS TO CUSTOMERS

Distribution of Loans by Collateral

The following table sets forth the distribution of the Group's loans to customers by type of collateral as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Unsecured loans	5,116.3	6.0%	10,697.8	9.9%	17,232.3	13.3%
Guaranteed loans(1)	38,885.4	45.4%	46,547.1	43.1%	50,492.5	39.0%
Loans secured by collateral(2)	36,902.4	43.1%	41,604.1	38.5%	53,214.9	41.2%
Loans secured by pledges(2)	4,737.7	5.5%	9,134.2	8.5%	8,402.0	6.5%
Total loans to customers	**85,641.8**	**100.0%**	**107,983.2**	**100.0%**	**129,341.7**	**100.0%**

Notes:

(1) Represents the total amount of loans wholly or partly guaranteed.

(2) Represents the total amount of loans fully or partially secured by collateral or pledges in each category. If a loan is secured by more than one form of security interest, the allocation is based on the primary form of security interest.

For details of the Group's distribution of loans by collateral during the Track Record Period, see "Assets and Liabilities – Assets – Loans to Customers – Distribution of Loans by Collateral" on page 317 of this prospectus. For details of the Group's risk in granting loans by collateral, see "Risk Factors – Risks Relating to the Group's Business – The collateral or guarantees securing the Group's loans and advances to customers may not be sufficient or fully realizable" on page 31 of this prospectus.

Distribution of Corporate Loans by Customer Type

The following table sets forth the Group's corporate loans by size of corporate customers as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Micro enterprises(1)	3,970.5	6.2%	5,287.5	6.8%	6,336.4	7.7%
Small enterprises(1)	44,728.2	70.4%	52,830.8	67.6%	59,087.4	72.0%
Medium enterprises(1)	9,306.0	14.6%	9,618.2	12.3%	6,741.5	8.2%
Large enterprises(1)	4,293.4	6.8%	9,155.7	11.7%	7,629.8	9.3%
Others(2)	1,240.6	2.0%	1,264.1	1.6%	2,313.9	2.8%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Notes:

(1) The classification criteria for large, medium, small and micro enterprises are based on the number of their employees, operating income and total assets stated in the Classification Standards of Small and Medium Enterprises. Please see the section headed "Definitions".

(2) Primarily includes loans to public institutions such as hospitals and schools.

For details of the Group's distribution of corporate loans by customer types during the Track Record Period, see "Business – The Group's Principal Business Activities – Corporate Banking – Corporate Loans – Distribution of Corporate Loans by Customer Type" on page 153 of this prospectus. For details of the Group's risk in granting loans to small and micro enterprises, see "Risk Factors – Risks Relating to the Group's Business – The Group is exposed to risks arising from loans granted to small and micro enterprises" on page 33 of this prospectus.

Distribution of Corporate Loans by Industry

The following table sets forth the distribution of the Group's corporate loans by industry classification as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Wholesale and retail trade	20,390.6	32.0%	21,182.0	27.0%	19,320.7	23.5%
Water conservancy, environment and public facility management	3,530.8	5.6%	10,112.3	12.9%	14,806.3	18.0%
Manufacturing	8,391.8	13.2%	11,304.3	14.5%	9,761.7	11.9%
Leasing and commercial services	4,380.8	6.9%	7,567.1	9.7%	9,574.7	11.7%
Real estate	8,989.9	14.1%	7,026.7	9.0%	7,893.7	9.6%
Construction	8,752.0	13.8%	8,986.0	11.5%	7,795.1	9.5%
Transportation, storage and postal services	1,456.4	2.3%	1,817.1	2.3%	1,787.1	2.2%
Accommodation and catering	1,557.9	2.5%	1,614.6	2.1%	1,754.4	2.1%
Education	1,382.7	2.2%	1,614.1	2.1%	1,424.2	1.7%
Health, social security and social welfare	574.5	0.9%	1,142.4	1.5%	1,401.3	1.7%
Production and distribution of electricity, heating power, gas and water	778.4	1.2%	1,266.3	1.6%	1,369.3	1.7%
Public administration, social security and social organizations	454.8	0.7%	696.1	0.9%	1,262.0	1.5%
Agriculture, forestry, animal husbandry and fishery	1,333.1	2.1%	1,411.0	1.8%	1,188.6	1.5%
Culture, sports and entertainment	145.6	0.2%	969.7	1.2%	1,039.0	1.3%
Others(1)	1,419.4	2.3%	1,446.6	1.9%	1,730.9	2.1%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Note:

(1) Others consists primarily of the following: (i) finance, (ii) information transmission, computer services and software, (iii) mining, (iv) resident services, maintenance and other services, (v) scientific research, technical services and geological prospecting.

For details of the Group's distribution of corporate loans by industry during the Track Record Period, see "Assets and Liabilities – Assets – Loans to Customers – Distribution of Corporate Loans by Industry" on page 311 of this prospectus. For details of the Group's risk in granting corporate loans to real estate industry, see "Risk Factors – Risks Relating to the Group's Business – Any significant or protracted downturn in, or change in national policies affecting the real estate market in the PRC may have a material adverse effect on the Group's business, asset quality, financial condition and results of operations" on page 32 of this prospectus.

Distribution of Personal Loans by Product Type

The table below sets forth the Group's personal loans by product type as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Residential mortgage loans	10,955.4	57.6%	15,147.2	57.4%	25,562.8	58.1%
Personal business loans	5,740.4	30.2%	5,215.3	19.8%	6,009.0	13.6%
Personal consumption loans	1,934.2	10.2%	4,314.8	16.4%	9,212.2	20.9%
Credit card balances	373.4	2.0%	1,701.4	6.4%	3,242.2	7.4%
Total personal loans	**19,003.4**	**100.0%**	**26,378.7**	**100.0%**	**44,026.2**	**100.0%**

For details of the Group's distribution of personal loans by product type during the Track Record Period, see "Assets and Liabilities – Assets – Loans to Customers – Distribution of Personal Loans by Product Type" on page 315 of this prospectus.

Selected Data from Consolidated Statements of Financial Position

The following table sets forth selected data from the consolidated statements of financial position as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Assets						
Loans and advances to customers, net	82,253.4	38.9%	104,153.6	33.2%	124,769.4	33.8%
Investments, net	79,682.5	37.6%	157,332.0	50.1%	188,429.7	50.9%
Cash and deposits with central bank	26,984.0	12.8%	34,820.5	11.1%	40,039.2	10.8%
Deposits with banks and other financial institutions	6,816.8	3.2%	4,625.0	1.5%	1,818.2	0.5%
Placements with banks and other financial institutions	–	–	–	–	500.0	0.1%
Financial assets held under resale agreements	10,093.5	4.8%	5,658.0	1.8%	6,180.1	1.7%
Interest in associates	116.1	0.1%	117.2	–	129.3	–
Deferred tax assets	826.0	0.4%	1,146.6	0.4%	1,522.6	0.4%
Other assets(1)	2,263.4	1.1%	3,367.2	1.1%	3,973.9	1.1%
Property and equipment	2,413.1	1.1%	2,520.7	0.8%	2,642.9	0.7%
Total assets	**211,448.8**	**100.0%**	**313,740.8**	**100.0%**	**370,005.3**	**100.0%**
Liabilities						
Deposits from customers	144,038.1	75.1%	191,137.8	65.3%	243,837.4	70.3%
Deposits from banks and other financial institutions	13,155.4	6.9%	30,829.3	10.5%	29,820.0	8.6%
Borrowing from the central bank	600.0	0.3%	6,000.0	2.1%	4,022.3	1.2%
Borrowings from banks and other financial institutions	100.0	0.1%	6,480.0	2.2%	8,450.0	2.5%
Placements from banks and other financial institutions	149.2	0.1%	77.7	–	1,350.0	0.4%
Financial assets sold under repurchase agreements	12,705.6	6.6%	8,432.6	2.9%	6,689.1	1.9%
Income tax payable	0.2	–	432.7	0.2%	495.5	0.1%
Debt securities issued	17,362.2	9.1%	43,786.6	15.0%	43,473.8	12.5%
Other liabilities(2)	3,534.9	1.8%	5,391.8	1.8%	8,595.1	2.5%
Total liabilities	**191,645.6**	**100.0%**	**292,568.5**	**100.0%**	**346,733.2**	**100.0%**
Total equity	**19,803.2**	**100.0%**	**21,172.3**	**100.0%**	**23,272.1**	**100.0%**
Total liabilities and equity	**211,448.8**	**100.0%**	**313,740.8**	**100.0%**	**370,005.3**	**100.0%**

For details, please see "Assets and Liabilities" on page 307 of this prospectus.

Notes:

(1) Consist primarily of interest receivable, suspense account for clearing, long-term deferred expenses, intangible assets, repossessed assets, prepayments for acquisition of property and equipment, investment property, input VAT to be credited, land use right and others.

(2) Consist primarily of interest payable, other tax payable, accrued staff cost and bills payable.

Selected Financial Ratios

The following table sets forth a summary of selected financial ratios for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
Profitability indicators			
Return on average assets(1)	0.42%	0.64%	0.85%
Return on average equity(2)	5.03%	8.19%	13.12%
Net interest spread(3)	3.43%	2.85%	2.19%
Net interest margin(4)	3.69%	3.05%	2.26%
Net fee and commission income to operating income	7.95%	10.70%	15.77%
Cost-to-income ratio(5)	27.81%	29.75%	32.18%

Notes:

(1) Calculated using net profit for the period divided by average balance of total assets at the beginning and the end of the period.

(2) Calculated using net profit for the period divided by average balance of total equity at the beginning and the end of the period.

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

(4) Calculated by using net interest income divided by the daily average balance of total interest-earning assets.

(5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by total operating income.

The increase in Group's cost-to-income ratio during the Track Record Period was mainly caused by its continuous expansion and upgrade of business network, particularly after completion of the Acquisition. For more details, please also see the section headed "Financial Information – Selected Financial Data" on page 362 of this prospectus.

The following table sets forth information relating to certain regulatory indicators as of the dates indicated, calculated in accordance with the requirements of the PRC banking regulatory authorities.

	Regulatory requirement	As of December 31,		
		2015	2016	2017
Capital adequacy indicators				
Core tier-one capital adequacy ratio(1)	≥7.5%	12.64%	10.87%	9.43%
Tier-one capital adequacy ratio(2)	≥8.5%	12.64%	10.87%	9.43%
Capital adequacy ratio(3)	≥10.5%	14.24%	11.94%	12.88%
Total equity to total assets	–	9.37%	6.75%	6.29%
Asset quality indicators				
NPL ratio(4)	≤5%	1.81%	1.68%	1.64%
Allowance coverage ratio(5)	≥150%	218.93%	210.94%	215.17%
Allowance to gross loan ratio(6)	≥2.5%	3.96%	3.55%	3.54%
Other indicators				
Loan-to deposit ratio(7)	≤75%	59.46%	56.49%	53.04%

Notes:

(1) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets. For the components of core tier-one capital, core tier-one capital deductions and risk-weighted assets under the Capital Administrative Measures, please see "Supervision and Regulation — Supervision of Capital Adequacy Level — Latest CBRC Supervisory Standards regarding Capital Adequacy Level" and "Financial Information — Capital Resources — Capital Adequacy".

(2) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets. For the components of tier-one capital, tier-one capital deductions and risk-weighted assets under the Capital Administrative Measures, please see "Supervision and Regulation — Supervision of Capital Adequacy Level — Latest CBRC Supervisory Standards regarding Capital Adequacy Level" and "Financial Information — Capital Resources — Capital Adequacy".

(3) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets. For the components of the Group's total capital, capital deductions and risk weighted assets under the Capital Administrative Measures, please see "Supervision and Regulation — Supervision of Capital Adequacy Level — Latest CBRC Supervisory Standards regarding Capital Adequacy Level" and "Financial Information — Capital Resources — Capital Adequacy".

(4) Calculated by dividing total NPLs by gross loans to customers.

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

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

(7) Calculated by dividing total loans to customers by total deposits from customers. Prior to October 1, 2015, PRC commercial banks were required to maintain a loan-to-deposit ratio of no higher than 75%. Effective from October 1, 2015, the PRC Commercial Bank Law was amended and the 75% maximum loan-to-deposit ratio was repealed.

The Group's capital adequacy ratio decreased from 14.24% as of December 31, 2015 to 11.94% as of December 31, 2016, primarily because the rapid increase in the Group's risk-weighted assets due to growth of the Group's business particularly after the Acquisition in late 2015 outpaced the speed with which the Group replenished its capital. In 2017, the Group issued tier-two capital bonds to replenish its capital, as a result of which, its capital adequacy ratio increased to 12.88% as of December 31, 2017, which was well above the regulatory ratio of 10.5% while staying at comparatively low end among industry peers. This comparatively low capital ratio mainly reflected the factor that the quick expansion of the Group's risk-weighted assets due to business expansion has outpaced the speed with which the Group replenished its capital. In particular, the Group determined not to issue more debt instruments to further increase its capital based on its cautious strategy of debt issuance so that it could optimize its financial costs and achieve best use of funds while ensuring compliance with regulatory requirements, taking into account various factors including funds it could generate internally, its liquidity management policy and general market conditions. Please also see the risk factors headed "Risk Factors – Risks Relating to the Group's Business – The Group may have difficulties in meeting capital adequacy requirements in the future" on page 42 of this prospectus and "Risk Factors – Risks Relating to the Group's Business – The Group is subject to risks associated with the significant amount of its subordinated debts and tier-two capital debts issued" on page 39 of this prospectus.

APPLICATION FOR THE OFFER SHARES

The application for the Hong Kong Offer Shares will commence on Wednesday, June 13, 2018 through Tuesday, June 19, 2018. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving banks on behalf of the Bank and the refund monies, if any, will be returned to the applicants without interest on Monday, June 25, 2018. Investors should be aware that dealing in the H Shares on the Hong Kong Stock Exchange is expected to commence on Tuesday, June 26, 2018.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 1,170,000,000 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option for the Global Offering is not exercised, and (iii) 5,848,776,901 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$5.94	**Based on an Offer Price of HK$6.66**
Market capitalization	HK$34,742 million	HK$38,953 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(1)	RMB4.82(2) (HK$5.90)	RMB4.93(2) (HK$6.03)

Notes:

(1) The amount of unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Rule 4.29 of the Listing Rules after the adjustments referred to in "Appendix III – Unaudited Pro Forma Financial Information".

(2) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB0.8176 to HK$1.00, the exchange rate set by the PBoC prevailing on June 5, 2018. 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.

THE GLOBAL OFFERING

The Global Offering comprises:

(i) the Hong Kong Public Offering of 87,750,000 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 1,082,250,000 Offer Shares (subject to adjustment and the Over-allotment Option) to be offered outside the United States (including professional and institutional investors in Hong Kong) in offshore transactions in reliance on Regulation S or other available exemptions from registration under the U.S. Securities Act.

Investors may apply for H Shares under the Hong Kong Public Offering or apply for or indicate an interest in 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.

COMPLIANCE WITH THE CBRC NOTICE ON ENHANCED MANAGEMENT OF PLEDGE OF EQUITY INTEREST IN COMMERCIAL BANKS

In November 2013, the CBRC issued the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the "**Notice**"), pursuant to which commercial banks are required to clearly stipulate the following matters in their articles of association (the "**Relevant Clauses**"):

- a shareholder who pledges his equity interests must notify the board of the bank in advance; in addition, 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 the share capital or voting rights in the bank, pledges his equity interests in the bank, he must make a filing to the board of directors of the bank prior to the pledge;

- upon the registration of a pledge of equity interests, a shareholder must provide the bank with information in relation to the pledge in a timely manner; and

- 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, will be "subject to restrictions" (the "**Voting Restrictions**").

For the purpose of compliance with the Notice, the Bank requires its Shareholders (including holders of the Bank's H Shares) to notify the Bank of their pledge of its Shares or make prior filings of any such pledge with the Bank. For details of the Voting Restrictions including how to make such notifications or filings, please see "Supervision and Regulation – Ownership and Shareholder Restrictions – Restrictions on Shareholders" on page 120 of this prospectus.

However, the Notice does not include guidance on what restrictions should be imposed or how they should be imposed. As of the Latest Practicable Date, there was no detailed implementation rule on whether the shareholders of H shares must make timely notice to PRC authorities in relation to the Notice.

The Bank has amended its Articles of Association to include the Relevant Clauses, which were adopted by the Shareholders on April 18, 2014 and approved by the CBRC Jiangxi Office on October 10, 2014. Zhong Lun Law Firm, the Bank's PRC legal advisor, is of the view that the probability that the Bank to be subject to penalties for its failure to include the Relevant Clauses in the Articles of Association until April 2014 is very low, based on following reasons:

(a) the Notice has not set forth a specific time frame when the PRC commercial banks must incorporate the Relevant Clauses within their articles of association;

(b) the Bank has amended its Articles of Association to include the Relevant Clauses, which were adopted by the Shareholders on April 18, 2014 and approved by the CBRC Jiangxi Office on October 10, 2014; and

(c) the Notice does not stipulate any penalties for failure to comply with the above mentioned requirements.

Please see "Risk Factors – the Group may be subject to more stringent regulatory requirements in the future and the Bank's Shareholders, including holders of the Bank's H Shares, may be subject to voting restrictions due to their pledge of the Bank's Shares" on page 48 of this prospectus.

DIVIDENDS

The Bank's Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders at a general meeting for approval. The Bank currently does not have a fixed dividend payout ratio. As of the Latest Practicable Date, Shareholders of the Bank have not approved any policy in respect of dividend distribution for fiscal year 2018 or afterwards.

The determination of whether to pay dividends and the amount of such dividends is based on the Group's results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by the Group and other factors that the Bank's Board of Directors considers relevant. Both current and new Shareholders are entitled to the Bank's accumulated retained earnings prior to the Listing. Under the PRC Company Law and the Bank's Articles of Association, all of the Bank's Shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholdings. Pursuant to PRC laws and the Bank's Articles of Association, dividends may only be distributed from its distributable profits calculated in accordance with PRC GAAP or IFRS (or the accounting standards of the overseas jurisdictions where its Shares are listed), whichever is lower.

As of the Latest Practicable Date, declared but unpaid dividends amounted to RMB15.7 million, mainly comprising, (i) dividends payable to shareholders that the Bank was unable to contact, and (ii) dividends payable to shareholders who did not timely claim the dividends. Please also see Note 35 to the Accountants' Report attached as Appendix I to this prospectus. In addition, on March 26, 2018, the Bank's Shareholders approved the resolution in respect of the dividends for the year ended December 31, 2017 in Shareholders Annual General Meeting and declared cash dividends in an aggregation amount of RMB467.9 million to all existing shareholders on record on December 31, 2017. Such dividends have been fully paid up on April 12, 2018 with the Group's internal funds. The Bank intends to pay declared but unpaid dividends after locating the relevant shareholders, in accordance with PRC laws and regulations.

Dividends paid in prior periods may not be indicative of future dividend payments. The Group cannot guarantee when, if and in what form or size dividends will be paid in the future.

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, Jiangxi Provincial Expressway Investment Group Co., Ltd. (江西省高速公路投資集團有限責任公司) ("**Jiangxi Expressway Investment**") directly held approximately 20.04% of the Bank's total issued Shares. Immediately after the Global Offering and assuming that the Over-allotment Option is not exercised, Jiangxi Expressway Investment will directly hold approximately 16.03% of the Bank's total issued Shares (or approximately 15.56%, assuming that the Over-allotment Option is fully exercised).

For details on the Bank's Substantial Shareholders, please see "Substantial Shareholders" on page 303 of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$6.30, being the mid-point of the proposed Offer Price range of HK$5.94 to HK$6.66, it is estimated that the net proceeds of the Global Offering accruing to the Bank (after deduction of underwriting commissions and estimated expenses payable by the Bank in relation to the Global Offering) to be approximately HK$7,157.2 million, if the Over-allotment Option is not exercised; or to be approximately HK$8,240.7 million, if the Over-allotment Option is exercised in full. The Bank intends to use the net proceeds of the Global Offering to strengthen its capital base to support the ongoing growth of the Group's business. For more details on the Bank's plans for using the proceeds of the Global Offering, please see "Future Plans and Use of Proceeds" on page 427 of this prospectus.

RECENT DEVELOPMENTS

The Group experienced continuous growth in its business since December 31, 2017. Directors of the Group have confirmed that, since December 31, 2017 and up to the date of this prospectus, there has been no material adverse change in the Group's financial or trading positions.

In recent years, in order to control the risks associated with business operations and corporate governance of the banks and other financial institutions, the CBRC has promulgated a series of regulatory provisions for PRC banking and other financial institutions. For instance, on April 27, 2018, the PBoC, CBIRC, CSRC and SAFE jointly issued the Guidance on Regulating the Asset Management Business of Financial Institutions (關於規範金融機構資產管理業務的指導意見) (the "**April 27 Guideline**"), prohibiting financial institutions, including banks, to provide investors with guarantee, in any form, for principal and investment return in relation to wealth management products. In addition, the April 27 Guideline requires banks and other financial institutions to, among other things, manage the products by net value, regulate fund pools, reduce the risks of maturity mismatch, limit debt ratio of products, properly categorize underlying assets based on nature of assets, improve information disclosure and products sales and distribution management, and eliminate the practice of channels for multi layer embedment. In addition, in January 2018, the CBRC released the Interim Measures on the Administration of Equity in Commercial Banks (《商業銀行股權暫行辦法》), promulgating the guidelines on supervision of commercial banks shareholders. For more details on the latest PRC bank industry's regulatory requirements, please see "Supervision and Regulation" on page 102 of this prospectus.

After the Track Record Period, the Group continued expanding its business resulting in further enhanced market position. As of March 31, 2018, the Group's total assets increased to RMB388,522.2 million from RMB370,005.3 million as of December 31, 2017, mainly as a result of increases in loans and advances to customers and financial investments, reflecting the Group's successful efforts in achieving optimized use of funds for better investment returns while continuously enhancing its traditional corporate and retail banking business operations. As of March 31, 2018, the Group's total liabilities increased to RMB364,029.4 million from RMB346,733.2 million as of December 31, 2017, primarily due to increases in debt securities issued, deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements, mainly brought up by the Group's business expansion. The changes in total assets and total liabilities between December 31, 2017 and March 31, 2018 mentioned above are also attributable to reclassification and impairment the Group made to certain financial assets in line with IFRS 9 that the Group adopted since January 1, 2018.

For the three months ended March 31, 2018, the Group's operating income increased to RMB2,672.4 million from RMB1,748.5 million for the same period in 2017, mainly caused by increase in both net interest income and net trading gains. For the three months ended March 31, 2018, the Group's net interest income increased to RMB2,135.0 million from RMB1,565.6 million for the same period in 2017, primarily due to the increase in the Group's interest-earning assets as a result of the Group's business expansion. For the three months ended March 31, 2018, the Group's net trading gains increased to RMB342.7 million from RMB1.5 million for the same period in 2017, mainly because under IFRS 9 adopted by the Group on January 1, 2018, certain financial assets were reclassified as financial assets at fair value through profit or loss, which caused the changes in these assets' fair value being recognized as net trading gains.

The financial information as of and for the three months ended March 31, 2018 as shown above was extracted from the unaudited condensed interim consolidated financial statements of the Group prepared by the Directors in accordance with IAS 34 "Interim Financial Reporting", which were reviewed by KPMG, the reporting accountants of the Group, 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.

RISK FACTORS

There are risks associated with any investment and there are certain risks and considerations relating to an investment in the Shares. You should read "Risk Factors" carefully before you decide to invest in the Offer Shares.

The major risks relating to an investment in the Shares are as follows: (i) if the Group is unable to effectively maintain the quality and growth of its assets and overall business, the Group's financial condition and results of operations may be materially and adversely affected; (ii) the Group's allowance for impairment losses on loans and investment may not be sufficient to cover the actual losses in the future; (iii) the Group faces concentration risks from its credit exposure to certain industries, borrowers and geographic regions; (iv) the collateral or guarantees securing the Group's loans and advances to customers may not be sufficient or fully realizable; (v) any significant or protracted downturn in, or change in national policies affecting the real estate market in the PRC may have a material adverse effect on the Group's business, asset quality, financial condition and results of operations; (vi) the Group is exposed to risks arising from loans granted to small and micro enterprises; (vii) the Group's asset quality, financial condition or results of operations may be materially and adversely affected if the repayment ability of LGFVs deteriorates or the government policies affecting LGFVs change; (viii) there are legal defects regarding some of the Group's properties; (ix) any adverse development in relation to the Group's investments in Non-standard Credit Assets may materially and adversely affect the Group's profitability and liquidity; (x) the Group is subject to risks relating to investments in debt securities; and (xi) the Group's 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 the Group, its senior management or China's banking industry in general, even if such negative publicity is inaccurate, unsubstantiated or immaterial.

For details of the risk factors relating to an investment in the Bank's Shares, please see "Risk Factors" on page 29 of this prospectus.

LISTING EXPENSES

The listing expenses to be borne by the Group are estimated to be approximately RMB174.8 million (equivalent to approximately HK$213.8 million). During the Track Record Period, the Group had incurred RMB9.6 million listing expenses, among which, approximately RMB0.2 million was charged to the Group's statement of profit or loss and other comprehensive income as of December 31, 2017. After December 31, 2017, listing expenses of RMB18.6 million is expected to be charged to the Group's income statement and RMB156.0 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. The Bank's Directors do not expect such listing expenses to have a material adverse impact on the Group's results of operations for the year ending December 31, 2018.

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

"Acquisition"	the acquisition of Jingdezhen City Commercial Bank by the Bank pursuant to the Notice on the Issuance of Establishment Plan for Jiangxi Bank Co., Ltd. (《關於印發江西銀行股份有限公司組建方案的通知》) and the Approval of the Acquisition of Jingdezhen City Commercial Bank by Nanchang Bank (《關於南昌銀行吸收合併景德鎮市商業銀行的批覆》)
"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"	articles of association of the Bank, the version of which was adopted by the Shareholders at the first extraordinary general meeting of 2017 held on September 15, 2017 and was approved by CBRC Jiangxi Office on January 22, 2018, which will become effective upon the Listing, as amended, supplemented or otherwise modified from time to time
"ATM(s)"	automated teller machine(s)
"Bank"	Jiangxi Bank Co., Ltd. (江西銀行股份有限公司), a joint stock company established on February 18, 1998 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiary
"Banking (Disclosure) Rules"	the Banking (Disclosure) Rules, Chapter 155M of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Banking Ordinance"	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Basel Accords"	Basel I, Basel II and Basel III, collectively
"Basel I"	the Basel Capital Accord promulgated in 1988
"Basel II"	the Revised Basel Capital Framework promulgated in June 2004
"Basel III"	the Revised Basel Capital Accord promulgated in December 2010

"Board" or "Board of Directors"	the board of Directors, as described in "Appendix V – Summary of Articles of Association"
"Board of Supervisors"	the board of Supervisors, as described in "Appendix V – Summary of Articles of Association"
"building ownership certificates"	building ownership certificates in the PRC (中華人民共和國房屋所有權證)
"Business Day(s)"	any day(s) (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
"CAGR"	compound annual growth rate
"Capital Adequacy Measures"	the Administrative Measures for Capital Adequacy Ratio of Commercial Banks (商業銀行資本充足率管理辦法) promulgated by the CBRC on February 23, 2004, effective as of March 1, 2004 and amended on July 3, 2007, which was later abolished by the Capital Administrative Measures (Provisional) on January 1, 2013
"Capital Administrative Measures (Provisional)"	the Capital Administrative Measures for Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) promulgated by the CBRC on June 7, 2012 and effective on January 1, 2013
"CASBE"	the China Accounting Standards for Business Enterprises
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of the CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No.6) issued by the State Council on March 24, 2018, and, if the context requires, includes its predecessors, namely the CBRC and CIRC
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會), which was recently merged with the CIRC and formed the CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No.6) issued by the State Council on March 24, 2018
"CBRC Jiangxi Office"	China Banking Regulatory Commission Jiangxi Office
"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 China"	a geographic region that covers six provinces in China, including Shanxi, Henan, Anhui, Hubei, Hunan and Jiangxi
"CFETS"	China Foreign Exchange Trading System & National Interbank Funding Centre (中國外匯交易中心暨全國銀行間同業拆借中心)
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only and, unless the context otherwise requires, excluding Hong Kong, Macau and Taiwan
"China Banking Regulatory Authority"	the CBIRC or the CBRC
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會), which was recently merged with the CBRC and formed the CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No.6) issued by the State Council on March 24, 2018
"city commercial banks"	city commercial banks established with the approval of CBIRC and other regulatory authorities pursuant to the PRC Company Law and the PRC Commercial Banking Law
"Classification Standards of Small and Medium Enterprises"	the Classification Standards of Small and Medium Enterprises (中小企業劃型標準規定) jointly promulgated by the MIIT, NBS, NDRC and MOF on June 18, 2011, which classifies SMEs in 16 industries into medium, small and micro enterprises with consideration of the nature of the industry in terms of number of employees, revenue and total assets

"commercial banks"	all of the banking institutions in the PRC, other than policy banks, which includes 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 same meaning ascribed to it under Chapter 14A of 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 the 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 the 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 the Bank
"Domestic Shares"	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
"Euro"	the lawful currency of the euro zone
"financial technology"	refers to any technological innovation, new applications, processes, products or business models in the financial sector, including innovations in financial literacy and education, retail banking, investment and even crypto-currencies like bitcoin

"foreign banking institutions"	representative offices and branches of foreign-owned and joint-venture banks and locally-established subsidiaries of foreign banks
"GDP"	nominal 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
"Group"	the Bank together with its subsidiary, and, if the context requires, includes its predecessors, branches and sub-branches
"Guangchang Nanyin County Bank"	Guangchang Nanyin County Bank Co., Ltd (廣昌南銀村鎮銀行股份有限公司), a joint stock company established on December 30, 2013 in the PRC in which the Bank holds 30.0% equity interest as of the Latest Practicable Date
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	the ordinary shares to be issued by the Bank in Hong Kong under the Global Offering with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong Dollars and to be listed and traded 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 Centre
"HKMA"	the Hong Kong Monetary Authority
"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"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	87,750,000 H Shares (subject to adjustment) offered in the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares (subject to adjustment) 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 relating thereto, as described in "Structure of the Global Offering – Hong Kong Public Offering"
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters listed in "Underwriting – Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering dated June 12, 2018 entered into by, among others, the Bank and the Hong Kong Underwriters, as described in "Underwriting – Hong Kong Underwriters"
"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 or entity who is not considered a connected person of the Bank under the Listing Rules
"Interim Provisions on the Standards for Medium and Small Enterprises"	the Interim Provisions on the Standards for Medium and Small Enterprises (中小企業標準暫行規定) jointly promulgated by the State Economic and Trade Commission (國家經濟貿易委員會), the State Development Planning Commission (國家發展計劃委員會), MOF and NBS in 2003, which was replaced by the Classification Standards of Small and Medium Enterprises on June 18, 2011

"International Offer Shares"	1,082,250,000 H Shares initially offered by the Bank pursuant to the International Offering together, where relevant, with any additional H Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in "Structure of the Global Offering"
"International Offering"	conditional placement by the International Underwriters of the International Offer Shares, as further described in "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering which is expected to be entered into by, among others, the International Underwriters and the Bank on or around the Price Determination Date
"Jiangxi Financial Leasing"	Jiangxi Financial Leasing Co., Ltd. (江西金融租賃股份有限公司), a joint stock company established in the PRC on November 24, 2015 and a subsidiary of the Bank
"Jiangxi Government"	The People's Government of Jiangxi Province (江西省人民政府)
"Jiangxi SASAC"	State-owned Assets Supervision and Administration Commission of Jiangxi Provincial People's Government (江西省人民政府國有資產監督管理委員會)
"Jingdezhen City Commercial Bank"	Jingdezhen City Commercial Bank Co., Ltd (景德鎮市商業銀行股份有限公司), a joint stock company established on July 11, 2002 in the PRC and dissolved and deregistered after the Acquisition
"Jinxian Ruifeng County Bank"	Jinxian Ruifeng County Bank Co., Ltd (進賢瑞豐村鎮銀行有限責任公司), a limited liability company established on June 15, 2012 in the PRC in which the Bank holds 30.0% equity interest as of the Latest Practicable Date
"Joint Bookrunners"	CCB International Capital Limited, CLSA Limited, AMTD Global Markets Limited, Essence International Securities (Hong Kong) Limited, CMB International Capital Limited, ICBC International Capital Limited, CEB International Capital Corporation Limited, Haitong International Securities Company Limited and China Industrial Securities International Capital Limited

"Joint Global Coordinators"	CCB International Capital Limited, CLSA Limited and AMTD Global Markets Limited
"Joint Lead Managers"	CCB International Capital Limited, CLSA Limited, AMTD Global Markets Limited, Essence International Securities (Hong Kong) Limited, CMB International Capital Limited, ICBC International Securities Limited, CEB International Capital Corporation Limited, Haitong International Securities Company Limited, China Industrial Securities International Capital Limited and SPDB International Capital Limited
"Joint Representatives"	CCB International Capital Limited and CLSA Limited
"Joint Sponsors"	CCB International Capital Limited and CLSA Capital Markets Limited
"Large Commercial Banks"	Agriculture Bank of China, Bank of China, Bank of Communications, China Construction Bank, Industrial and Commercial Bank of China, collectively
"large enterprises"	the enterprises other than those classified as medium, small or micro enterprises under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with 1,000 or more employees and operating income of RMB400.0 million or more shall be classified as large enterprises
"Latest Practicable Date"	June 5, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"LGFV"	being the abbreviation for local government financing vehicles
"Listing"	the listing of the H Shares on the Hong Kong Stock Exchange
"Listing Date"	the date on which dealings in the H Shares 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
"Macau"	the Macau Special Administrative Region of the PRC

"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), 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 enterprises"	the enterprises classified as medium enterprises based on the number of their employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 1,000 employees or operating income of less than RMB400 million shall be classified as SMEs, among which those with 300 or more employees and operating income of RMB20 million or more shall be classified as medium enterprises
"micro enterprises"	the enterprises classified as micro enterprises based on the number of employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 20 employees or operating income of less than RMB3.0 million shall be classified as micro enterprises
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NAFMII"	The National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會)
"Nanchang Dafeng County Bank"	Nanchang Dafeng County Bank Co., Ltd (南昌大豐村鎮銀行有限責任公司), a limited liability company established on September 30, 2010 in the PRC in which the Bank holds 28.18% as of the Latest Practicable Date
"Nanfeng Judu County Bank"	"Nanfeng Judu County Bank Co., Ltd (南豐桔都村鎮銀行有限責任公司), a limited liability company established on December 20, 2011 in the PRC in which the Bank holds 30.0% as of the Latest Practicable Date
"NAO"	the National Audit Office of the PRC (中華人民共和國審計署)

"Nationwide Joint-stock Commercial Banks"	China CITIC Bank 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., HengFeng Bank Co., Ltd., China Zheshang Bank Co., Ltd. and China Bohai Bank Co., Ltd., collectively
"NBS"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"net capital"	core tier-one capital, additional tier-one capital and tier-two capital of a bank less corresponding capital deductions, in each case, as specified in the relevant CBRC regulations
"New Normal"	a term refers to a new phase that Chinese economy has entered that is different from the high-speed growth pattern exhibited in the past. The new economic phase features more sustainable, mid-to high-speed growth with higher efficiency and lower costs
"NPL(s)"	for the purposes of this prospectus, is used synonymously with "impaired loans and advances" in Note 19 to the Accountants' Reports in Appendix I to this prospectus
"NPL ratio"	the percentage ratio calculated by dividing non-performing loans by total loans
"Non-standard Credit Assets"	credit assets not traded on the interbank markets or stock exchanges. For the purpose of this prospectus, Non-standard Credit Assets refer to debt instruments invested by the Group, including but not limited to trust plans, asset management plans and wealth management products issued by other financial institutions, where the underlying assets are not traded on the interbank market or stock exchanges
"Offer Price"	the final Hong Kong dollar offer price per H Share (exclusive of any brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee) at which the H Shares are to be subscribed and issued pursuant to the Global Offering, to be determined as described in "Structure of the Global Offering"
"Offer Shares"	the H Shares offered in the Global Offering and, where relevant, any additional H Shares issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by the Bank to the International Underwriters exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, details of which are described in "Underwriting – The International Offering"
"PBoC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pearl River Delta" or "Pearl River Delta Region"	regions in Guangdong Province, mainly covering nine cities, namely, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Zhaoqing, Jiangmen, Zhongshan and Dongguan
"POS"	point of sale, a checkout terminal in a shop or any location where a transaction occurs
"PRC Banking Supervision and Regulatory Law"	the Banking Supervision and Regulatory Law of the People's Republic of China (中華人民共和國銀行業監督管理法), which was promulgated by 6th session of the Standing Committee of the 10th National People's Congress on December 27, 2003 and became effective on February 1, 2004, as amended, supplemented or otherwise modified from time to time
"PRC Commercial Banking Law"	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法), 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 Standing Committee of the 10th National People's Congress on October 27, 2005 and became effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC Government"	the central government of the PRC, including all political sub-divisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them

"PRC PBoC Law"	the Law of the People's Bank of China of the PRC (中華人民共和國人民銀行法), 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 Agreement"	the agreement to be entered into among the Bank and the Joint Representatives (on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Tuesday, June 19, 2018, on which the Offer Price is to be fixed by an agreement between the Bank and the Joint Representatives (on behalf of the Underwriters) for purpose of the Global Offering
"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 the CBRC, the PRC GAAP and/or IFRS
"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 (商業銀行與內部人和股東關聯交易管理辦法) promulgated by the CBRC, Accounting Standards for Business Enterprises (企業會計準則) promulgated by the MOF, and/or IFRS
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) which was renamed State Administration for Market Regulation according to the Notice of the State Council regarding the Establishment Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018.
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)

"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"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
"Shareholder(s)"	the holder(s) of the Shares
"Shares"	ordinary shares in the share capital of Bank with a nominal value of RMB1.00 each
"SHIBOR"	the Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
"Siping Tiedong Defeng County Bank"	Siping Tiedong Defeng County Bank Co., Ltd (四平鐵東德豐村鎮銀行股份有限公司), a joint stock company established on July 22, 2011 in the PRC in which the Bank holds 20% equity interest as of the Latest Practicable Date
"small enterprises"	the enterprises classified as small enterprises based on the number of employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 300 employees or operating income of less than RMB20 million shall be classified as small or micro enterprises, among which those with 20 or more employees and operating income of RMB3 million or more shall be classified as small enterprises
"SME(s)"	the enterprises classified as micro enterprises, small enterprises and medium enterprises based on the number of employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 1,000 employees or operating income of less than RMB400 million shall be classified as SMEs
"Special Regulations"	the Special Regulations of the State Council 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), which was promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	CCB International Capital Limited

"Standard Investment Products"	credit assets traded on the interbank markets or stock exchanges. For the purpose of this prospectus, Standard Investment Products refer to debt securities invested by the Group that are issued by the PRC Government, PRC policy banks, PRC commercial banks and other financial institutions and corporate issuers
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Bank
"SWIFT"	the Society for Worldwide Interbank Financial Telecommunication (環球銀行金融電信協會)
"Track Record Period"	the three years ended December 31, 2015, 2016 and 2017
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Underwriting 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
"VTM(s)"	the abbreviation of Video Teller Machine(s), the mechanical and electrical integration equipment which handle some counter business through the remote video mode, and enables users to handle the business through dialogue communication with back-office bank customer services
"WeBank"	WeBank Co., Ltd (深圳前海微眾銀行股份有限公司), one of the first private commercial banks in China
"White Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"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 From eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yellow Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

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.

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

For the purpose of this prospectus, "small and micro customers" refers to the Group's small and micro enterprises customers and private business owner customers.

For the ease of reference, in this prospectus, unless otherwise indicated, the Bank use the terms "gross loans and advances to customers", "loans" and "loans to customers" synonymously.

If there are any inconsistencies between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.

This prospectus contains certain forward-looking statements and information relating to the Group that are based on the beliefs of, assumptions made by and information currently available to the Group's 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 the Group or the Group's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Group's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Group which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- the Group's operations and business prospects, including the Group's development plans for the Group's existing and new products;
- the Group's business development strategies and initiatives to implement these strategies;
- general economic, market and business conditions in Jiangxi Province or the PRC and any changes thereto;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- the Group's existing risk management system and the Group's ability to improve such system;
- the Group's financial condition, results of operation and performance;
- the amount and nature of, potential for and future development of the Group's business;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- changes to the regulatory environment and general outlook in the industry and markets in which the Group operates;
- market competition, and the products, actions and developments of competitors;
- general political and economic conditions; and
- capital market developments.

Subject to the requirements of applicable laws, rules and regulations, the Bank does 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 the Group expects, 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 the H Shares. The Group's business, financial condition and results of operation could be materially and adversely affected by any of these risks. The trading price of the H Shares could significantly decrease due to any of these risks, and you may lose part or even all of your investment. You should also pay particular attention to the fact that the Bank is a PRC company and is governed by a legal and regulatory system which in some respects may differ from those prevailing in other countries. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, see "Supervision and Regulation", "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association".

RISKS RELATING TO THE GROUP'S BUSINESS

If the Group is unable to effectively maintain the quality and growth of its assets and overall business, the Group's financial condition and results of operations may be materially and adversely affected.

The Group's gross loans and advances to customers amounted to RMB85,641.8 million, RMB107,983.2 million and RMB129,341.7 million as of December 31, 2015, 2016 and 2017, respectively. The Group's NPL ratio decreased from 1.81% as of December 31, 2015 to 1.68% as of December 31, 2016 and remained relatively stable at 1.64% as of December 31, 2017, primarily due to the Group's continuous efforts in recovering NPLs and improvement in overall quality of the Group's loan portfolio. There is no assurance that the Group's NPLs and NPL ratios will not increase in the future.

The Group's financial condition and results of operations will be affected by its ability to maintain or improve the growth and quality of its assets, which might be materially and adversely affected by a variety of reasons beyond the Group's control, including a slowdown of China's and Jiangxi Province's economy, adverse macroeconomic developments, the mass fluctuation in capital markets, an outbreak of disasters or major accidents in China and other regions. All of these may adversely affect the businesses, operations, or liquidity of the Group's customers, counterparties or ultimate financing parties of the Group's business, as a result of which, the Group may not be able to realize the value of relevant collateral, or guarantees securing its assets. In particular, any significant deterioration in the Group's asset quality may lead to significant increases in the Group's NPLs, allowance for impairment losses, and write-off due to impairment, which may materially and adversely affect the Group's business, financial condition, profitability, and results of operations. In particular, in 2015, 2016 and 2017, the Group's impairment losses on loans and advances to customers amounted to RMB3,467.6 million, RMB2,835.4 million and RMB2,193.6 million, respectively. There is no assurance that the Group will always be able to effectively mitigate risks associated with losses on loans and advances to customers, which is subject to a broad range of factors beyond its control.

In addition, the Group may not be able to successfully offer new products to attract new customers, improve the Group's marketing efforts, or expand the Group's sales channels. Moreover, maintaining the growth of the Group's business will require substantial managerial and operational resources and there is no assurance that the Group will be able to retain and attract qualified personnel to support the growth of its assets in a timely manner. Any occurrences of the above factors may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's allowance for impairment losses on loans and investment may not be sufficient to cover the actual losses in the future.

As of December 31, 2015, 2016 and 2017, the Group's NPLs amounted to RMB1,547.6 million, RMB1,815.5 million and RMB2,125.0 million, respectively; the Group's allowance for impairment losses on gross loans to customers was RMB3,388.4 million, RMB3,829.6 million and RMB4,572.3 million, respectively; the Group's allowance coverage ratio was 218.93%, 210.94% and 215.17%, respectively, and the Group's allowance to total loan ratio was 3.96%, 3.55% and 3.54%, respectively. In 2015, 2016 and 2017, the Group's impairment losses on loans and advances to customers amounted to RMB3,467.6 million, RMB2,835.4 million, RMB2,193.6 million, respectively, which was determined based on the Group's assessment of various factors affecting the quality of the Group's loan portfolio under IAS 39. For details, please also see the section headed "Assets and Liabilities – Assets – Allowance for Impairment Losses on Loans to Customers – Changes to Allowance for Impairment Losses".

In addition, the Group invested in a broad range of standard and Non-standard Credit Assets during the Track Record Period, which are subject to inherent credit risks as well. The Group sets provisions for impairment losses on such investment in line with its accounting policies and conducts periodic review and assessment in this respect. In particular, as of December 31, 2017, the Group's investments in Non-standard Credit Assets amounted to RMB151,251.3 million, among which, RMB88,026.3 million were unsecured. As of December 31, 2017, the Group's provisions for impairment losses on unsecured investments in Non-standard Credit Assets amounted to RMB267.8 million. For more details, please see the section headed "Business – The Group's Principle Business Activities – Financial Markets – Investment Business – Investments in Non-Standard Credit Assets".

The determination of the amount of the allowance for impairment losses is made by the Group's management based on applicable accounting policies, their assessments on relevant factors available, such as operational and financial conditions of borrowers, counterparties or underlying financing parties, the realizable value of any collateral, and the ability of the guarantors of the Group's customers to fulfill their obligations, as well as China's economic, legal, and regulatory environment. Particularly, in line with the IFRS 9 that has been adopted by the Bank since January 1, 2018, in determining impairment losses, the management is required to adopt an "expected credit loss" model where a loss event will no longer need to occur before an impairment allowance is recognized, causing expected acceleration and potentially greater amount of provision for any given amount of loan or investment, where applicable. Under IFRS 9, the management is required to make robust estimation on expected credit losses and the point at which there is a significant increase in credit risk based on available information that the management deems reasonable and applicable, all of which involve difficult judgement. Many of these factors are beyond the Group's control and the Group's estimation is subjective in nature, and therefore is subject to inherent restrictions. There is no assurance that the Group can always make accurate assessment and expectation or the amount will not be sufficient to cover all losses the Group may actually incur in the future, upon occurrence of which, the Group's business, prospects, financial conditions and results of operations may be materially and adversely affected.

The Group faces concentration risks from its credit exposure to certain industries, borrowers and geographic regions.

As of December 31, 2015, 2016 and 2017, the Group's corporate loans represented 74.2%, 72.4% and 63.5% of the Group's total loans to customers, respectively. As of December 31, 2017, the Group's loans to the wholesale and retail trade industry and the water conservancy, environment and public facilities management industry, which were ranked as the top two industries among the industries from which the Group's corporate loan customers are usually derived, represented 23.5% and 18.0% of the Group's total corporate loans, respectively. As of December 31, 2017, NPLs to the wholesale and retail trade industries accounted for 75.2% of the Group's total non-performing corporate loans, while the Group did not record any NPL in the water conservancy, environment and public facilities management industries. The high concentration of NPLs in the wholesale and retail trade industries are mainly caused by the fact that majority of the Group's corporate loan customers in these industries are small and micro enterprises, which tend to be more vulnerable to the impact from economic downturn compared to large enterprises, as well as enterprises in other industries.

Any deterioration in any of the industries where the Group's loans are concentrated or any deterioration in the financial condition or results of operations of the Group's borrowers in the relevant industries could undermine the quality of the Group's existing loans and its ability to extend new loans, which in turn could materially and adversely affect the Group's business, financial condition and results of operations.As of December 31, 2017, loans to the Group's ten largest single borrowers amounted to RMB9,110.0 million, representing 28.9% of the Group's regulatory capital, all of which were classified as normal. As of the same date, the Group's credit exposure to its ten largest group customers totaled RMB26,073.0 million, representing 82.5% of the Group's regulatory capital. If the quality of any of these loans deteriorates or becomes non-performing, the Group's asset quality could deteriorate significantly and the Group's financial condition and results of operations could be materially and adversely affected.

Furthermore, the Group's business and operations are primarily concentrated in Jiangxi Province. As of December 31, 2017, most of the Group's loans to customers and the Group's deposits from customers were originated from the Group's outlets located in Jiangxi Province. Most of the Group's businesses and operations will remain in Jiangxi Province in the foreseeable future. Therefore, the Group's continued growth depends to a large extent on the continued growth of the Jiangxi Province economy, and the Group is exposed to risks arising from concentration of loans extended in Jiangxi Province in terms of distribution of customers and geographical coverage. Any adverse change in the economic development of or any significant natural disaster or catastrophic event occurring in Jiangxi Province, or any material adverse change in financial condition of the Group's customers in this region or any party to whom they provide guarantees, may materially and adversely affect the Group's business, financial condition and results of operations.

The collateral or guarantees securing the Group's loans and advances to customers may not be sufficient or fully realizable.

As of December 31, 2017, 41.2%, 6.5% and 39.0% of the Group's total loans to customers were secured by collateral, pledges, and guarantees, respectively. The collateral and pledges securing the Group's loans to customers primarily comprised land use rights, buildings and houses, machineries and equipment, equity securities, debt securities, certificates of deposit, and other assets. The value of the collateral securing the Group's loans may fluctuate and decline due to various factors beyond its control, including macroeconomic factors affecting China. For example, a slowdown in the PRC economy may lead to a downturn in the real estate market, which, in turn, may result in declines in the value of the real estate assets securing the Group's loans to levels below the outstanding principal balance of said loans. In addition, the Group cannot assure you that its assessment of the value of collateral will be accurate at all times. If the collateral proves to be insufficient to cover the related loans, the Group may have to obtain additional collateral or pledges from the borrowers and there is no assurance that the Group would be able to obtain the said collateral on satisfactory terms or at all. Reduction of the Group's collateral value or the Group's inability to obtain additional collateral or pledges may result in additional allowance for loan impairment, which may materially and adversely affect the Group's 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, other claims may be senior or prior to the Group's claims to the collateral securing the Group's loans. All of the foregoing factors could adversely affect the Group's ability to realize the value of the collateral securing the Group's loans in a timely manner or at all.

The guarantees under the Group's guaranteed loans are generally not backed 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 repay a guaranteed loan in full and on time may also affect the guarantor's ability to fully perform its guarantee obligations and, therefore, expose the Group to additional risks. Furthermore, the Group is subject to the risk that a court or any other judicial or government authority may declare a guarantee invalid in value or fail to enforce such guarantee. The Group is therefore exposed to the risk that it may not be able to recover all or part of the Group's guaranteed loans. If the Group is unable to dispose of the assets of borrowers and guarantors or if the guarantors fail to fully perform their guarantee obligations on a timely basis, the Group's business, financial condition, and results of operations may be materially and adversely affected.

As of December 31, 2017, unsecured loans accounted for 13.3% of the Group's total loans to customers. The Group grants such unsecured loans mainly based on the Group's credit evaluation of such customers. The Group cannot assure you that its credit assessments of such customers are or will be accurate at all times, or that such customers will repay their loans in full and on time. As the Group only has general claims on the assets of defaulting borrowers under the loans not secured by collateral or pledges, the Group is exposed to a relatively high risk of losing the entire outstanding amount under such loans, which may adversely affect the Group's 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 the Group's business, asset quality, financial condition and results of operations.

The Group is exposed to risks associated with the PRC real estate market, especially from corporate loans to the real estate industry, personal residential loans and other loans secured by real estate. As of December 31, 2015, 2016 and 2017, the Group's loans to corporate borrowers in the real estate industry represented 14.1%, 9.0% and 9.6%, respectively, of the Group's total corporate loans. As of the same dates, the Group's residential mortgage loans represented 57.6%, 57.4% and 58.1%, respectively, of the Group's total personal loans.

The PRC Government has imposed, and may continue to impose macroeconomic policies to regulate the real estate market including imposing value-added tax on the transfer of residential apartments, as the case may be. For details, please see "Supervision and Regulation – Regulations on Principal Commercial Banking Activities". These measures may slow down the growth of the Group's loans to, and negatively affect the financial condition, liquidity and repayment capabilities of, the Group's customers in the real estate industry. These measures may also reduce the demand for residential mortgage loans in the PRC. In addition, any significant or continued decline in property prices in the PRC may have a material adverse effect on the asset quality of the Group's corporate loans to customers in the real estate industry and residential mortgage loans. If the real estate market in the PRC experiences a recession or a prolonged period of downturn, the value of the real estate as collateral for the Group's loans may decrease to a level insufficient to cover the principal of and interest on the loans, which could therefore prevent the Group from recovering all or part of its principal and interest if the borrower defaults. The fact that the Group has taken measures to manage the risks cannot be an assurance to you that such measures will be effective or sufficient to protect the Group against the foregoing adverse effects.

The Group is exposed to risks arising from loans granted to small and micro enterprises.

As of December 31, 2015, 2016 and 2017, the Group's loans to small and micro enterprises represented 76.6%, 74.4% and 79.7%, respectively, of the Group's total corporate loans. Small and micro enterprises are generally more vulnerable to macroeconomic fluctuations, as they may lack the financial, management or other resources necessary to withstand the adverse effects brought by an economic slowdown or changes in the regulatory environment compared with larger enterprises. In addition, the Group may not be able to obtain all the necessary information on small and micro enterprises for the Group to assess their credit risk. As of December 31, 2015, 2016 and 2017, the Group's NPL ratio for micro enterprise loans was 3.95%, 1.74% and 3.94%, respectively, and the Group's NPL ratio for small enterprise loans was 2.13%, 1.90% and 2.13%, respectively. The Group's NPL may increase significantly due to the effects caused by the economic slowdown or unfavorable changes in the regulatory environment on the Group's small and micro enterprise customers, which may materially and adversely affect the Group's business, financial condition and results of operation.

The Group's asset quality, financial condition or results of operations may be materially and adversely affected if the repayment ability of LGFVs deteriorates or the government policies affecting LGFVs change.

Similar to other commercial banks in the PRC, the Group extends loans to LGFVs. LGFVs refer to economic entities with independent legal capacity established by local governments as well as other departments and institutions through fiscal allocation or injection of assets such as land and equity, responsible for financing government-sponsored projects. LGFVs typically use loan proceeds to make investments in infrastructure or industrial zone construction, renovation of old districts, or development of public interest projects, and repay the Group with operating cash flows generated from relevant projects and the local government budget. As of December 31, 2017, the Group's loans to LGFVs amounted to RMB2.5 billion, representing approximately 3.0% of the balance of the Bank's corporate loans and 0.7% of the Bank's total assets. For details on how the Group manages risks related to LGFVs, please see "Risk Management – Credit Risk Management – Credit Risk Management for Corporate Loans – Portfolio Management – Credit Risk Management for loans to LGFVs".

Apart from granting loans to LGFVs, the Group also provides financing to LGFVs through its investments in debt securities issued by such LGFVs, trust plans, or asset management plans, utilizing funds at the Group's disposal or proceeds from offering both principal protected and non-principal protected wealth management products. The Group's total credit balance to LGFVs decreased from RMB3,343.0 million as of December 31, 2015 to RMB2,577.0 million as of December 31, 2016, and further decreased to RMB2,464.8 million as of December 31, 2017, mainly due to the Group's efforts in reducing its credit exposure to LGFVs according to its stringent risk management policy.

Pursuant to applicable PRC regulations, unless otherwise provided by laws and the State Council, it is not permitted for local governments and their departments, organizations, and institutions funded primarily by fiscal budget to, directly or indirectly, provide guarantees for the financing activities of LGFVs through utilizing fiscal income or state-owned assets or otherwise. In addition, many projects sponsored by LGFVs are carried out primarily for public interest purposes and are not necessarily commercially viable and, therefore, the operating cash flows generated from such projects may not be sufficient to cover the principal of and interest on the relevant loans. As a result, the ability of a LGFVs to repay its loans may depend, to a significant extent, on its ability to receive financing support from the government, which may not always be available due to the government's liquidity, budgeting priorities, and other considerations.

A macroeconomic slowdown, unfavorable changes in governmental policies, the deterioration in the financial condition of local governments, significant decline in property prices or other external factors may undermine the repayment capabilities of relevant LGFVs, which may, in turn, materially and adversely affect the Group's asset quality, financial condition and results of operations. 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 instruct PRC banks and other financial institutions to strengthen their risk management measures regarding loans to LGFVs. For further details, please see "Supervision and Regulation – Regulations on Principal Commercial Banking Activities". The Group has adopted measures both on the Group's own initiative and in response to these regulatory directives to control its risk exposure loans to LGFVs, including implementing credit exposure limits on the Group's loans to LGFVs, strengthening the Group's credit extension and credit monitoring mechanism, and establishing risk alert systems for loans to LGFVs. For details of these measures, see "Risk Management – Credit Risk Management". However, there is no assurance that measures taken by the Group are sufficient to protect the Group against loss in connection with default by LGFVs borrowers, which may in turn materially and adversely affect the Group's asset quality, financial condition and results of operation.

There are legal defects regarding some of the Group's properties which may adversely affect the Group's ability to occupy and use certain properties owned by the Group and/or leased from third parties.

As of the Latest Practicable Date, the Group owned 260 properties in the PRC with an aggregate GFA of approximately 177,850.8 square meters. Among these properties, 34 properties with an aggregate GFA of 28,499.9 square meters (accounting for 16.0% of the aggregate GFA of the Group's owned properties) have legal defects, including lacking real estate title deeds, land use right certificates, building ownership certificates and others. For details, see "Business – Properties" .The Group is currently in the process of rectifying the legal defects of these properties. However, the Group may not be able to obtain all of these title certificates, and its ownership rights may be adversely affected in respect of these properties. If the Group is forced to relocate any of the operations it conducts in the affected properties, it may cause disruption to its business and it may incur additional costs and loss of income as a result of such relocation.

In addition, as of the Latest Practicable Date, the Group leased 296 properties with an aggregate GFA of approximately 167,457.2 square meters in China, which the Group mainly used as its outlets or offices. Among these properties, 100 properties with an aggregate GFA of 67,489.2 square meters (accounting for 40.3% of the aggregate GFA of the Group's leased properties) were leased from lessors who were not able to provide title certificates or approval from the owner of the leased property in relation to sub-lease. As a result, the validity of such leases may be subject to legal challenge. Similarly, as of the Latest Practicable Date, the Group had not completed the filing registration of 147 leases of these properties. The failure of registration of the lease agreements for the Group's leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order the Group to register the lease agreements in a prescribed period of time, failing which the Group may be subject to a fine of RMB1,000 or more and below RMB10,000 per lease by the competent authorities. In addition, the Group cannot assure you that it would be able to renew such leases, upon their expiration, on terms acceptable to the Group, or at all. If any of its leases is terminated as a result of challenges by third parties with respect to the validity of its lease agreements or its failure to register relevant lease agreement, or if it fails to renew them upon expiration, the Group may be forced to relocate affected branches and sub-branches, incur additional costs, loss of income and subject to fine by the competent authorities, and the Group's business operation and financial condition may be adversely affected.

For details of the Group's properties, see "Business – Properties."

Any adverse development in relation to the Group's investments in Non-standard Credit Assets may materially and adversely affect the Group's profitability and liquidity.

During the Track Record Period, the Group made investments in Non-standard Credit Assets, primarily including investments in trust plans, asset management plans and wealth management products issued by other Chinese commercial banks. As of December 31, 2015, 2016 and 2017, the Group's investments in Non-standard Credit Assets amounted to RMB54,101.7 million, RMB129,209.7 million and RMB151,251.3 million, respectively, accounting for 25.6%, 41.2% and 40.9%, respectively, of the Group's total assets as of the same dates. For the years ended December 31, 2015, 2016 and 2017, interest income generated from the Group's investments in Non-standard Credit Assets amounted to RMB2,652.0 million, RMB4,424.1 million and RMB5,960.9 million, respectively, representing 26.1%, 34.6% and 38.7%, respectively, of the Group's total interest income for the same periods. For details of the Group's Non-standard Credit Assets, please see "Business – The Group's Principal Business Activities – Financial Markets – Investment Business – Investments in Non-standard Credit Assets".

Investing in Non-standard Credit Assets contains certain risks. Although the Group has taken a variety of risk management measures, there is no assurance that these measures could fully protect the Group from the risks associated with investments in Non-standard Credit Assets. For details of the risk management measures the Group adopted for the Group's investments in these assets, please see "Risk Management – Credit Risk Management – Credit Risk Management for the Group's Financial Markets Business – Credit Risk Management for Investments in Standard Investment Products and Non-standard Credit Assets". For example, the Group may not be able to receive repayment of principal of, and returns on these Non-standard Credit Assets due to material and adverse changes to the financial condition of the relevant trust companies, securities companies or the ultimate borrowers. In addition, the Group may not be able to rely on the guarantees and collateral or realize the value of the collateral provided by the ultimate borrowers, as such guarantees and collateral are provided to the trust companies, asset management companies, securities companies and other financial institutions, instead of the Group. Furthermore, if the agreed-upon return rates of the Group's investments in Non-standard Credit Assets cannot be achieved or the principal of the Group's investments cannot be repaid, the Group primarily relies on the issuers to reduce the Group's losses and will exercise its rights under the related contracts to recover losses from the issuers. The Group does not have direct recourse to the ultimate borrowers or their guarantors in the underlying transactions. In addition, as Non-standard Credit Assets are not traded on the interbank market or stock exchanges, and there has not yet been an active trading market for Non-standard Credit Assets, their liquidity is limited. As a result, the Group's ability to dispose of relevant investments or realize value of relevant investments before their maturity is limited. All of the above mentioned factors may materially and adversely affect the Group's business, financial condition and results of operations.

Furthermore, although PRC regulatory authorities do not currently prohibit commercial banks from investing in Non-standard Credit Assets, there can be no assurance that future changes in regulatory policies will not restrict commercial banks in China, including the Group, from investing in Non-standard Credit Assets. In addition, adverse regulatory developments in relation to these types of investments could cause declines in the value of the investment portfolio held by the Group and, as a result, may adversely affect the Group's business, financial condition and results of operations.

The Group is subject to risks relating to investments in debt securities.

The Group has been engaged in a wide range of investments in debt securities. For details, please see "Businesses – The Group's Principal Businesses – Financial Markets – Investment Business – Investments in Standard Investment Products". The Group's investment returns on debt securities are affected by a number of factors including interest rate, exchange rate, creditworthiness of the overall market and the Group's counterparties, market liquidity, asset values, as well as other market and economic conditions. Any material change in one or more of these factors could reduce the value of, and the gains generated from the Group's debt securities investment portfolio and could have a material adverse effect on the Group's financial condition and results of operations.

A significant portion of the Group's investment portfolios are debt securities. As of December 31, 2015, 2016 and 2017, the balance of the Group's total debt securities investment amounted to RMB25,580.8 million, RMB28,122.3 million and RMB37,178.4 million, respectively. The value of these debt securities may decrease significantly due to various factors, including but not limited to (i) the issuer's failure to make repayment due to bankruptcy, financial difficulties or other reasons, which has been increasing due to slowdown of the economic growth; (ii) lack of liquidity; (iii) inflation; (iv) an increase in the current or expected market interest rate or other economic condition; and (v) changes in relevant government policies. If the value of any debt securities the Group invests in significantly declines, the Group's asset quality, financial condition, and results of operations may be materially and adversely affected.

The Group is subject to risks relating to wealth management products.

In recent years, the Group has increased the volume and expanded the range of wealth management products offered to both the Group's corporate banking customers and retail banking customers. For the years ended December 31, 2015, 2016 and 2017, the total amount of the wealth management products issued by the Group were RMB71,427.6 million, RMB89,079.5 million and RMB96,940.3 million, respectively.

The Group invests the proceeds from wealth management products primarily in Standard Investment Products and Non-standard Credit Assets. As of December 31, 2015, 2016 and 2017, the Group's investments in Non-standard Credit Assets funded through wealth management products amounted to RMB4,312.7 million, RMB8,316.6 million and RMB8,702.6 million, respectively, accounting for 11.1%, 15.8% and 24.8% of the Group's total wealth management products as of the same dates, respectively.

The Group's ability to pay the principal and investment returns under the wealth management products that the Group issued to the customers relies heavily on the performance of the financial investment products purchased by the Group using proceeds raised from such wealth management products. For principal-protected products, if the underlying products do not perform as anticipated, the Group may have to pay back the principal and investment returns utilizing the Group's own funds, which may adversely affect the Group's profit and financial condition. For non-principal protected products, the Group is not liable for any losses suffered by investors in these products under the terms of the relevant agreements. However, to the extent the investors suffer losses on these wealth management products, the Group's reputation may be adversely affected and the Group may also suffer loss of business and customer deposits. Furthermore, the Group may have to bear losses for non-principal protected wealth management products should investors bring claim against the Group for inadequate disclosure or otherwise and the Group is held liable by the court.

In addition, for certain wealth management products of the Group, there is a mismatch between the tenor of such products and the tenor of the respective underlying assets. This mismatch subjects the Group to liquidity risk and may requires the Group to issue new wealth management products, dispose of the underlying assets or otherwise address the funding gap when existing wealth management products mature. The PRC regulatory authorities have introduced regulatory policies to restrict the amount of PRC commercial banks' investments in debt instruments offered by financial institutions by using funds raised from wealth management products. Furthermore, more stringent control by the PRC regulatory authorities over wealth management business of commercial banks in China may cause declines in value of the investment portfolio held by the Group, restrict the Group's business operations or limit the Group's profitability. The occurrence of any of the aforementioned factors may adversely affect the Group's business, financial condition and results of operations. Please see "Supervision and Regulation – Regulations on Principal Commercial Banking Activities – Wealth Management."

The Group faces risks and uncertainties associated with the PRC regulations governing asset management business of financial institutions.

In recent years, the PRC Government promulgated various rules and regulations to prevent occurrence of systemic risks in financial industry. In particular, in order to, among other things, further enhance risk management measures in respect of leverage in financial market to mitigate risks associated with rising asset price and regulatory arbitrage, the PBoC, CBIRC, CSRC and SAFE jointly issued the *Guidance on Regulating the Asset Management Business of Financial Institutions* (關於規範金融機構資產管理業務的指導意見) (the "**April 27 Guideline**") on April 27, 2018. This guideline prohibits financial institutions, including banks, to provide investors with guarantee, in any form, for principal and investment return in relation to wealth management products ("**Non Guarantee Requirements**"). In addition, the April 27 Guideline requires banks and other financial institutions to, among other things, manage the products by net value, regulate fund pools, reduce the risks of maturity mismatch, limit debt ratio of products, properly categorize underlying assets based on nature of assets, improve information disclosure and products sales and distribution management, and eliminate the practice of channels for multi-layer embedment ("**Other Requirements**"). For details on content of the April 27 Guideline, please also see "Supervision and Regulation – Regulations on Principal Commercial Banking Activities – Securities and Assets Management Business.

In line with restrictions set out in the April 27 Guideline, particularly the Non Guarantee Requirements and Other Requirements, the Bank is no longer permitted to offer relevant asset management products, which may lead to decreased market demand for the Bank's financial market business. Clients used to purchase wealth management products with guarantee for principal and investment return may choose to purchase other types of financial products with features that the Bank could not, or is not licensed to offer, damaging the Bank's capacity to attract or retain clients. In addition, to ensure compliance with the Non Guarantee Requirements and Other Requirements, the Bank may need to increase its administrative expenses and other operating expenses for adjusting operation and management measures of relevant business, which may further cause material and negative impact on the Group's financial conditions and results of operations. Furthermore, the April 27 Guideline has only been issued recently and is subject to further interpretation. There is no assurance that the PRC Government may publish implementation rules with more stringent standards in interpreting the April 27 Guideline, or issue new laws and rules to replace the April 27 Guideline setting out limitations even more costly for the Bank to follow. The occurrence of such may materially and negatively affect the Group's financial conditions and results of operations.

The Group is subject to risks associated with investment classified as receivables.

During the Track Record Period, in managing its financial markets business, the Bank invested in wealth management products issued by financial institutions and investment management products managed by securities companies and trust plans, which were recorded as investment classified as receivables. In line with the Group's business strategy in expanding financial market business, net carrying amount of it investment classified as receivables increased from RMB45,724.0 million as of December 31, 2015, to RMB62,582.4 million as of December 31, 2016 and further to RMB102,615.4 million as of December 31, 2017. Similar with other financial products of the Group, its investments classified as receivables are subject credit risks, particularly when underlying financing parties fail to make timely repayment to relevant counterparties to which the Group made relevant investments. While the Group undertakes a broad range of risk management measures in relation to its financial markets business, there is no assurance that it can always successfully identify or effectively prevent risks associated with creditworthiness of relevant counterparties or underlying financing parties, whose business performance is subject to impact from a broad range of factors beyond the Group's control, including, without limitation, overall economic conditions. For the year ended December 31, 2015, 2016 and 2017, the Group made impairment losses on investment classified as receivables in the amount of RMB26.6 million, RMB745.7 million and RMB356.1 million based on its risk management policies. There is no assurance that the Group will not make further impairment loss in the future. The occurrence of the above mentioned factors may cause material and negative effect to the Group's financial condition and results of operations.

If the Group fails to maintain the growth rate of its deposits from customers or its deposits from customers decrease substantially, the Group's liquidity, financial position and operating results could be materially and adversely affected.

Deposits from customers have been the Group's primary funding source. The Group relies on the growth in deposits from customers to expand its loan business and meet other liquidity needs. Decreases in deposits from customers will reduce the Group's funding sources, which, in turn, will reduce its ability to extend new loans to meet capital and liquidity requirements. The Group's total deposits from customers amounted to RMB144,038.1 million, RMB191,137.8 million and RMB243,837.4 million as of December 31, 2015, 2016 and 2017, respectively, a majority of which were corporate deposits. However, there are various factors affecting the growth in the Group's deposits from customers, some of which are beyond the Group's control, such as economic and political condition, the availability of alternative investment products, and changes in customers' preference for savings. In particular, the Bank may not be able to attract or retain adequate corporate deposits under a tightened credit environment, where the higher financing costs and difficulty in raising financing may result in increased corporate deposit withdrawals and weakened willingness and ability of corporates to place deposits, in which case, the Group's liquidity, operating results and financial conditions may be adversely affected.

There is a mismatch between the maturities of the Group's liabilities and the Group's assets. As of December 31, 2017, 78.9% of the Group's total deposits from customers were due within one year. As of the same date, 43.2% of the Group's total loans to customers were due within one year. As a result, there's no assurance that the Group will be able to maintain the growth in the Group's deposits from customers at a pace sufficient to support its expanding business.

If the Group is unable to maintain the growth rates of its deposits from customers, or a substantial portion of its customers withdraw their demand deposits or do not roll over their time deposits upon maturity, the Group's ability to meet capital liquidity requirements may be materially and adversely affected and, as a result, the Group may need to seek funding from alternative sources, which may not be available on reasonable terms or at all. If the Group cannot seek funding from alternative sources on reasonable terms, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group is subject to risks associated with the significant amount of its subordinated debts and tier-two capital debts issued.

The Group is subject to capital adequacy requirements set by the CBIRC. To satisfy regulatory capital adequacy requirement and/or fund its business development, the Bank issued a significant amount of subordinated debts and tier-two capital debts during the Track Record Period. As of December 31, 2015, 2016 and 2017, the Bank's subordinated debts and tier-two capital debts issued amounted to RMB999.1 million, nil and RMB5,993.6 million. Please also see "Supervision and Regulation – Supervision of Capital Adequacy Level" and "Financial Information – Debt – Debt Securities Issued – Subordinated Bonds and Tier-two Capital Bonds" for more details.

The Group is subject to risks in relation to interest costs and repayment of its subordinated debts and tier-two capital debts issued. During the Track Record Period, the interest paid on debt securities issued by the Group was RMB303.2 million, RMB336.2 million and RMB447.5 million, respectively. During the same period, the Group's repayment of debt securities issued was RMB7,450.0 million, RMB37,330.0 million and RMB89,710.0 million, respectively. As of the Latest Practicable date, the Bank's subordinated debts and tier-two capital debts issued have face value of RMB6.0 billion in aggregate, with coupon interest rate of 5% per annum. The Group cannot assure you that the payment of interest and principal for such subordinated debts and tier-two capital debts will not have material adverse effect on its business, liquidity and financial conditions in the future.

In addition, the Group may need to issue more subordinated debts and tier-two capital debts to meet the regulatory capital adequacy requirement in the future. Along with the increase of the Group's risk weighted assets in line with its business growth, the Group may have to obtain additional capital to meet the capital adequacy requirement, which may be restricted by a number of factors, such as its future business, financial condition and general market condition for capital-raising activities. There is no assurance that the Group can always raise sufficient funds in time with acceptable terms to support its business development and meet the capital adequacy requirement, and the Group may need to seek additional capital through issuing debts. There is no assurance that further increases in debts issued by the Group will not materially and adversely impact the Group's ability to make timely repayment or raise additional funds for capital, in which case the Group's financial conditions and results of operations will be materially and negatively affected.

The proportion of the Group's short-term loans has been relatively high, which may adversely affect the reliability and stability of the Group's interest income.

Under the General Rules of Loans of the PBoC, short-term loans are loans with maturity of one year or less. The proportion of the Group's short-term loans in its total outstanding loan balance remained relatively high. As of December 31, 2015, 2016 and 2017, the Group's total short-term corporate loans accounted for 47.7%, 39.0% and 28.7%, respectively, of the Group's total loans, among which, short-term corporate loans accounted for 64.2%, 53.8% and 45.3%, respectively, of the Group's total corporate loans. During the Track Record Period, short-term loans constituted a major portion of the Group's total corporate loans and had been the Group's stable source of interest income. However, the Group cannot assure you that it will continue to have this stable source of interest income, in particular, when there is greater competition or funds of lower interest are available to customers. The Group's relatively high portion of short-term loans may have an adverse effect on the reliability and stability of the Group's interest income.

In addition, a high concentration of short-term loans means that the repayment of such loans may be more vulnerable to, and could result in a higher default rate in case of, any downturn in the PRC economy or in the specific industries of the PRC economy to which the Group primarily lends. Both unstable interest income and a higher rate of loan defaults could have a material adverse effect on the Group's financial condition and results of operations.

Further development of interest rate liberalization, the PBoC's adjustments to the benchmark interest rate, the deposit insurance program and other regulatory changes in the PRC's banking industry may materially and adversely affect the Group's results of operations.

Similar to most PRC commercial banks, the Group's results of operations depend, to a large extent, on the Group's net interest income, which accounted for 90.6%, 87.1%,and 79.1% of the Group's operating income for the years ended December 31, 2015, 2016 and 2017, respectively.

The Group's net interest income is sensitive to adjustments in the benchmark interest rates set by PBoC. In recent years, PBoC has adjusted the benchmark interest rates several times. Please see "Supervision and Regulation – Pricing of Products and Services – Interest Rates for Loans and Deposits". Adjustments by PBoC to the benchmark interest rates on loans or deposits or changes in market interest rates may affect the Group's financial condition and results of operations in different ways. For example, changes in the PBoC benchmark interest rates could affect the average yield on the Group's interest-earning assets to a different extent than the average cost on the Group's interest-bearing liabilities and, therefore, may narrow the Group's net interest margin. This would lead to a decrease in the Group's net interest income, which in turn may materially and adversely affect the Group's results of operations and financial condition.

Interest rates in China have been gradually liberalized in recent years. Since June 8, 2012, PBoC has allowed financial institutions to increase the Renminbi deposit interest rate to 110% of the PBoC benchmark interest rate. On July 20, 2013, the PBoC abolished the floating interest rate of Renminbi loans (excluding housing loan interest rates), and allowed financial institutions to set lending rates based purely on commercial considerations. Furthermore, on November 22, 2014, the PBoC permitted financial institutions to raise the Renminbi deposit interest rate up to 120% of the PBoC benchmark interest rate. China had already further raised rates in March 1, 2015 and May 11, 2015 up to 130% and 150% of the PBoC benchmark interest rates, respectively. Beginning on August 26, 2015, the PBoC has maintained the interest rate cap of Renminbi demand deposits and time deposits with maturity less than one year. Then on October 24, 2015, the PBoC announced that it would no longer set up a floating ceiling deposit interest rate for commercial banks, signifying the further liberalization of controls on interest rates as financial markets players are now permitted to customize financial product pricing in accordance with market principles. Interest rate liberalization may intensify competition in the PRC banking industry as PRC commercial banks seek to make loans and take deposits with more attractive interest rates, which could narrow the net interest margin of PRC commercial banks, thereby materially and adversely affecting the Group's results of operations. There is no assurance that the Group will be able to promptly diversify its businesses, adjust the mix of its assets and liabilities and change the Group's pricing to effectively respond to further liberalization of interest rates.

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 insures each depositor of a failed bank in an amount up to RMB500,000. Groups are required to pay premiums for the deposit insurance program, which will increase the Group's operating costs and may therefore adversely affect the Group's financial condition and results of operations. It is still uncertain whether the Deposit Insurance Regulation will have a positive or negative impact on the banking industry in China.

The Group also conducts trading and investment activities involving certain financial instruments. The Group's income generated from these activities is subject to volatility caused by, among other things, changes in interest rates and foreign exchange rates. For example, increases in interest rates generally cause the value of the Group's fixed income securities portfolio to drop, which may materially and adversely affect the Group's results of operations and financial condition. In addition, the derivatives market in the PRC is still in the early stages of development. As a result, the Group may not be able to effectively hedge such market risks.

The Group manages the Group's liquidity partly through short-term borrowing in the interbank market. The Group's borrowing costs may increase as a result of the fluctuation in interest rates on the interbank market, which may materially and adversely affect the Group's liquidity, financial condition and results of operations.

As of December 31, 2017, the balances of the Group's deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements accounted for 8.6%, 0.4% and 1.9% of the Group's total liabilities. According to the Notice on Standardizing the Interbank Businesses of Financial Institutions (關於規範金融機構同業業務的通知) jointly issued by the PBoC, CBRC, CSRC, CIRC and SAFE on April 24, 2014 ("**Interbank Business Notice**"), 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-one capital. The balance of interbank borrowing of a commercial bank shall not exceed one third of its total liabilities. The Group has complied with the Interbank Business Notice. Subject to the aforementioned laws and regulations and other applicable requirements, the Group 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, the Group's funding costs may increase, which may materially and adversely affect the Group's liquidity and profitability.

The Group's current risk management framework, policies and procedures and internal control may not fully protect the Group from credit, market, liquidity, operational, and other risks.

The Group has established a risk management framework and an internal control system to protect itself from various risk exposure. Since the Acquisition, the Group introduced a new risk management organizational structure, launched an information system to support a centralized database, and revamped the Group's risk management policies and procedures in an effort to improve its overall risk management capabilities. However, as these systems, policies and procedures require constant and ongoing testing and maintenance, there is no assurance that these current systems are fully adequate to protect the Group from all types of risks. In addition, the Group's risk management capabilities are limited by the information, tools, or technologies available to the Group. Please see "– The effective operation of the Group's business is highly dependent on the proper functioning and improvement of its information technology systems" in this section of the prospectus.

Although the Group has taken various measures to improve and upgrade its overall risk management system, policies and procedures, due to the inherent limitations of the Group's systems, the Group may not adequately or effectively identify or mitigate its risk exposure in all market environments or against all types of risks. As a result, the Group's risk management methodologies and techniques may not be effective and the Group may not be able to manage and control its risks in a timely and appropriate manner, and thereby the Group's asset quality, business, financial condition and results of operations may be materially and adversely affected.

The Group may have difficulties in meeting capital adequacy requirements in the future.

The Group is subject to capital adequacy regulations set by the CBIRC. Please also see "Supervision and Regulation – Supervision of Capital Adequacy Level" for more details. Pursuant to the requirements of PRC banking regulatory authorities, the Group's capital adequacy ratios of each tier shall remain no lower than the minimum capital adequacy requirements under the Capital Administrative Measures during the transitional period for implementation. The CBIRC may further increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios or the Group may otherwise be subject to new capital adequacy requirements. The Group may face increased 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, the Group's results of operations may be materially and adversely affected, and its capacity to further grow its business may be constrained. If at any time in the future the Group fails to meet these capital adequacy requirements, the CBIRC may take a series of measures upon the Group, including, for example, imposing restrictions on the Group's lending and investment activities, restricting the growth of the Group's loans and other assets, limiting the Group's application to launch new businesses or restricting its ability to declare or pay dividends. Such measures may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's ability to satisfy the current regulatory capital adequacy requirements could be adversely affected by deterioration of the its financial condition, or the quality of its assets, such as an increase in NPLs and a decline in its profitability. If the Group's business growth calls for additional capital in excess of what the Group is able to generate internally or raise in the capital markets, the Group may need to seek additional capital through alternative means which may not be available to it on commercially acceptable terms in a timely manner, or at all. The Group's ability to obtain additional capital may also be restricted by a number of factors, including its prevailing capital sufficiency and liquidity status, future business, financial condition, results of operations and cash flows, conditions prescribed by PRC laws and regulatory approvals, general market condition for capital-raising activities by commercial banks and other financial institutions, as well as economic, political and other conditions both within and outside of China. There is no assurance that the Group can always raise sufficient funds in time through issuing debts or other means to support its business development and meet the capital adequacy requirement. Please also see "Risk Factors – The Group is subject to risks associated with the significant amount of its subordinated debts and tier-two capital debts issued" for more details.

The Group disposed of certain loan assets during the Track Record Period and should the Group unable to dispose or transfer such assets in the future, the Group's liquidity, financial condition and results of operation may be affected.

During the Track Record Period, the Group, in lines with its risk management policy, disposed of certain non-performing assets with a gross amount of approximately RMB3.8 billion, all of which were NPLs to different asset management companies in China. These asset management companies are independent third parties of the Group. In addition, the Group has transferred, and may choose to continue transferring loans and/or assets from time to time in accordance with its liquidity management and risk management policies when it deems appropriate in the future. The Group's current results of operations and financial condition would be different had these disposals and transfers of loans and assets not taken place. In particular, the Group's NPL amount and NPL ratio during the relevant period would be higher had such disposal and transfer failed to take place. In the future, the Group may not be able to dispose or transfer its assets or loans on a similar scale or on similar terms. Investors should consider these disposals and transfers of assets before making investment decisions relating to the Group.

The Group faces risks and uncertainties associated with national and local government policies and initiatives adopted to promote local economic development.

The Group benefits from favorable policies and initiatives adopted by the national and local governments to promote the economic development of Jiangxi Province such as Notice on Key Points of Participating the Construction of One Belt and One Road (《關於印發江西省2016年參與"一帶一路"建設工作要點的通知》) and Opinions on Supporting the Revitalization and Development of the Southern Jiangxi Area and Other Former Central Soviet Area (《關於支持贛南等原中央蘇區振興發展的若干意見》). Jiangxi Province enjoys a wide variety of beneficial national and local government policies and strategies. The Group believes that these policies and strategic planning have been instrumental in the economic growth of Jiangxi Province, and expect the Group's business to continue to benefit from these favorable government policies and initiatives and the business opportunities presented in connection with local economic growth. However, the Group cannot guarantee that the PRC Government will maintain its favorable policies in promoting the development of Jiangxi Province. Any discontinuation or unfavorable change in such policies may adversely affect the Group's business, financial condition and results of operations. In addition, any new policies issued or to be issued by the national or local government on curbing the spending limit of the local government on its local economic development will adversely affect the Group's business, financial condition and results of operations.

The Group will be exposed to various risks as it expands the range of the Group's products and services, and the Group may not be successful in expanding its fee- and commission-based businesses and other non-interest income businesses.

The Group has been continuously expanding its offerings of products and services to its customers since the Bank's establishment; and the Group will continue to implement its expansion plan in the future. The Group relies to a great extent on interest income and net interest income has historically been the largest component of the Group's operating income, representing 90.6%, 87.1% and 79.1% of the Group's operating income in 2015, 2016 and 2017, respectively. As part of its growth strategy, the Group plans to introduce more fee- and commission-based products and services, such as direct sales banking platform, credit cards and financial markets business. The Group's expansion in products and services portfolio has exposed and will continue to expose the Group to new and potentially increasingly challenging market and operational risks. In particular, for certain fee- and commission-based products and services, the Group is not the principal issuer or borrower of relevant products, but act as the distributor of relevant products, or provides other services like monitoring the quality of relevant financial products and making timely claim to enforce the rights of lenders or investors. These products are also subject to inherent risks associated with financial performance or business operations of relevant issuers or owners of underlying assets, which are affected by many factors beyond the Group's control, including general economic condition or proper compliance with laws and regulations by relevant third parties. For these products, the Group is not liable for any investment losses or defaults directly derived from them. However, the Group may still be subject to client complaints, negative news coverage and possible litigations which could have an adverse effect on the Group's reputation.

If the Group is unable to offer more fee- and commission-based products and other non-interest income products and services, the Group may continue to rely heavily on interest income, and may face pressures resulting from greater competition among banks for interest income and lower net interest margins from interest rate liberalization measures. Please see "– Risks Relating to the Group's Business – Further development of interest rate liberalization, the PBoC's adjustments to the benchmark interest rate, the deposit insurance program and other regulatory changes in the PRC's banking industry may materially and adversely affect the Group's results of operations". In particular, in recent years, many non-bank enterprises or newly established banks with strong internet technology background have commenced offering internet finance services to take over more and more of the bank value chain, including those core areas that are key source of banks' revenues, such as payment, wealth management, consumer finance, or even checking and savings. As a result, the Group faces increasing competition in terms of fee- and commission-based products and services. Please also see the section headed "– The competition layout in the banking industry keeps evolving in line with advancement of information technology where the traditional banking institutions faces intensified challenges in terms of electronic banking and internet finance."

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

The Group faces risks associated with investment in structured entities with securitization arrangement.

During the Track Record Period, the Group held interests in certain structured entities in managing its financial market business. In particular, the Group held interests in asset-backed securities issued by a trust company, where the underlying assets represented a loan portfolio that the Group transferred to such trust company. This structured entity became due in 2016. As of December 31, 2015, 2016 and 2017, the balance of these asset-backed securities held by the Group amounted to RMB59.7 million, nil and nil, respectively. In line with relevant accounting policies, the Group has not consolidated such structured entity. There is no assurance that the Group may not enter into similar arrangement, or invest in other types of structured entity where underlying assets comprise investments in asset-back securities in the future, to achieve improved liquidity or optimize investment return, when it deems appropriate. The success of such securitization arrangement rests upon a broad range of factors, many of which are beyond the Group's control, including the cash flow of underlying financing party, concentration of credit risks associated with underlying loan portfolio, general economic situation and regulatory environment in China. Should the underlying financing party fail to make timely repayment, the Group's interest in relevant structured entity may be material and adversely affected.

In addition, according to relevant accounting policies, the Group needs to consolidate structured entity if the Group controls the structured entity. The occurrence of such consolidation will make the Group take into account relevant underlying loan products in preparing provisions and determining its capital adequacy requirement, which may further materially and negatively affect the Group's financial conditions and results of operations.

The Group needs government approvals to expand its business beyond Jiangxi Province and the Group cannot guarantee that it will obtain such approvals successfully. Even if the Group obtains approval to set up branches and sub-branches beyond Jiangxi Province, the Group may be exposed to risks arising from expanding the geographic coverage of its products, services and business and there is no assurance that the Group can successfully compete with local banks or other financial institutions in these regions.

The Group needs to submit applications to regulatory authorities if it plans to establish branches and sub-branches in areas outside Jiangxi Province. In addition, the CBIRC restricts city commercial banks from establishing branches and sub-branches outside of their home regions without specific approval from CBIRC. Even if the Group successfully obtains the approval to set up branches and sub-branches outside of Jiangxi Province, it 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. The rate of the Group's growth and the expansion of its business may be affected if the Group is unable to expand or is unsuccessful in expanding its operation geographically, which, in turn, may materially and adversely affect its business, financial condition and results of operations.

The Group may be involved in legal and other disputes from time to time arising out of the Group's operations.

The Group is involved in legal and other disputes in the ordinary course of its business, which generally relates to its attempts to recover debts from borrowers or claims made by the Group's customers or other parties against it. Customers may commence litigation or arbitration proceedings against the Group and the Group may also be subject to inquiries, investigations, litigations and proceedings by governmental agencies. In particular, during the Track Record Period, the Group was involved in litigations or disputes in relation to different businesses, such as loans and bank acceptance bills. For details, please see "Business – Legal and Administrative Proceedings". Furthermore, the Group may encounter disputes in relation to misappropriation or unauthorized use of its business names or service brand names, or disputes in relation to misappropriation, unauthorized use or registration of its trademarks. There is no assurance that the outcome in any of the litigation/arbitration in which the Group is involved would be favorable to the Group, or the judgment in relation to the rejected litigations against the Group will not be subject to disputes resulting in new litigation, appeal or retrial. Also, the Group cannot guarantee that any existing or potential investigations will not cause material adverse effect on the Group, or any future legal disputes the Group may confront will not result in damages to its reputation, additional operational costs or a diversion of the Group's resources and management's attention from the Group's business operations, in which case, the Group's business, financial condition and results of operations may be adversely affected. For details of the Group's provision made in respect of litigation claim, see "Business – Legal and Administrative Proceedings – Legal Proceedings".

The Group may not be able to detect and prevent fraud or other misconduct committed by the Group's employees or third parties, and the Group may be subject to other operational risks.

The Group is exposed to fraud or other misconduct committed by the Group's employees, customers or other third parties, which could subject the Group to financial losses, third party claims, regulatory actions or reputational damages. There is no assurance that the Group's internal control policies and procedures can always be effective and sufficient to prevent, or that the Group can otherwise fully detect or deter, all incidents of fraud and misconduct involving the Group's employees or third parties including, without limitation, mishandling or embezzlement of bills held for resale by the Group's employees, bribery or embezzlement or defaults in making timely repayment. Please see "Business – Legal and Administrative Proceedings". In addition, there is no assurance that improper acts of employees or third parties against the Group, such as fraud, stealing, theft of customer information or illegal activities, can always be successfully prevented or mitigated or timely identified, which may in turn expose the Group to certain risks resulting in the Group suffering from negative publicity, reputation damage or litigation losses. Should any of the above mentioned factors occur, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group relies on the continuing efforts of the Group's key personnel and may not be able to recruit or retain a sufficient number of qualified staff.

The Group's ability to maintain growth and meet future demands is dependent upon the continued services of the Group's senior management and other key personnel. In particular, the Group's future success depends substantially upon the Group's key personnel's experience in the banking industry and the business operations of the Group as well as their sales and marketing skills. The departure of any member of the Group's key personnel may have a material adverse effect on the Group's business and results of operations. In addition, the Group may face increasingly fierce competition in recruiting and retaining qualified staff, including senior management, since other banks are competing for the same pool of qualified candidates and the Group's compensation packages may not be as competitive as those of its competitors. In particular, in January 2018, the Bank's then president and executive director, Mr. Wu and then vice president and executive director, Mr. Tong, resigned from their position due to personal reasons and retirement, respectively. For details on the Bank's directors and senior management members, please see "Directors, Supervisors and Senior Management". There is no assurance that any of its key personnel will not leave the Group in the future, or the Group is always able to recruit or retain qualified staff, or competition in recruitment will not lead to increases in the Group's employment costs. If the Group fails to recruit or retain a sufficient number of qualified staff, the Group's business, financial condition and results of operation may be materially and adversely affected.

The effective operation of the Group's business is highly dependent on the proper functioning and improvement of its information technology systems.

The Group's business largely relies on the secure and efficient operation of its information technology systems. In particular, the Group's information technology system supports the proper function of its internal control, risk management, customer service and other data processing systems, together with the communication networks between its branches and its main data processing centers, each of which is critical to the sustainable development of its business and its ability to maintain competitiveness. For details of the operation and backup mechanism of the Group's information technology systems, please see "Business – Information Technology". However, there is no assurance that its operations will not be materially disrupted by a partial or complete failure of its information technology systems resulting from various factors beyond the Group's control, including but not limited to, telecommunication network or Internet breakdowns, software bugs, computer virus attacks, conversion errors brought about by system upgrading, an equipment provider's failure to provide proper system maintenance, or an outbreak of disasters or incidents. In particular, in recent years, as more and more public and private enterprises, including banks and financial institutions, are relying on proper functioning of information technology systems for their business operations, they are vulnerable to cyber-attacks, which may severely damage their Internet banking or mobile banking operations, causing temporary or prolonged suspension of relevant services, or theft of customer data which may lead to further complaints or litigation from relevant customers. While the Group has adopted various measures to mitigate relevant risks associated with cyber-attacks, there is no assurance that the Group's defense measures can always effectively protect the Group from damages. For details of the Group's relevant measures, please see "Risk Management – Information Technology Risk Management". The occurrence of any of the above mentioned incidents, or any security breach caused by unauthorized access to the Group's information or systems, loss or corruption of data or malfunction of software, hardware or other computer equipment could materially and adversely affect the Group's business, financial condition and results of operations.

In addition, the Group's ability to remain competitive depends partially on its ability to upgrade the Group's information technology system in a timely and cost-effective manner in order to meet increasing market demands for financial products and services and to address the evolving technology challenges in relation to such financial products and services. Any failure to timely develop, improve or upgrade the Group's information technology systems effectively may materially and adversely affect the Group's business, financial condition and results of operations.

If the Group fails to fully comply with various regulatory requirements applicable to the Group, its reputation could be harmed and the Group's business, financial condition and results of operation could be materially and adversely affected.

The Group is subject to the regulatory requirements and guidelines set forth by various PRC regulatory authorities, such as the CBIRC, PBoC, SAFE, CSRC, MOF, NAO, SAIC and SAT. 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. These regulatory authorities carry out supervision and spot checking of banks and have the authority to impose penalties or remediation requirements based on their findings.

During the Track Record Period and as of the Latest Practicable Date, the Group failed to meet certain of the above regulatory requirements causing an aggregated fine of about RMB1.8 million (including the fines of RMB0.4 million against Jingdezhen City Commercial Bank before the Acquisition). For details on the penalties in respect of these failure to meet certain of the regulating requirements during the Track Record Period, please see "Business – Legal and Administrative Proceedings – Regulatory Inspections and Proceedings" and "Supervision and Regulation – Other Operational and Risk Management Ratios". There is no assurance that the Group will be able to meet all applicable regulatory requirements and guidelines, or comply with all applicable regulations at all times, or that the Group will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. Any failure to comply with applicable requirements, guidelines, or regulations could have a material adverse effect on the Group's financial condition and results of operation, and damage the Group's reputation and its ability to grow its business.

The Group may not be able to detect money laundering and other illegal or improper activities on a timely basis, or at all, which could expose the Group to reputational damages and additional legal or regulatory liability risks.

The Group is required to comply with applicable PRC anti-money laundering and anti-terrorism laws and regulations. These laws and regulations require the Group 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 the Group may be utilized by other parties to engage in money laundering and other illegal or improper activities. To the extent that the Group fails to fully comply with such laws and regulations, the relevant governmental authorities may impose fines and other penalties on the Group. In addition, the Group's business and reputation could deteriorate if customers manipulate their transactions with the Group for money laundering or other illegal or improper purposes. Please see "Risk Management – Legal and Compliance Risk Management" and "Supervision and Regulation – Ownership and Shareholder Restrictions – Anti-money Laundering Regulation".

The Group is subject to risks associated with off-balance sheet commitments.

The Group provides certain off-balance sheet commitments to its customers in the ordinary course of business, consisting of bank acceptance bills, loan commitments, letters of guarantees, letters of credit, operating lease commitments and capital commitments. Such arrangements are not reflected on the Group's balance sheet but they constitute contingent assets or contingent liabilities. As of December 31, 2017, the Group's off-balance sheet commitments totaled RMB27,367.4 million. For more details, please see "Financial Information – Off-balance Sheet Commitments". The Group is subject to credit risks associated with certain of these off-balance sheet commitments and is required to provide funds when its customers are unable to perform their obligations. If the Group is unable to recover payment from its customers, the Group's financial condition and results of operations may be materially and adversely affected.

The Bank has certain Shareholders that the Bank has been unable to contact and register, which may lead to potential disputes.

As of the Latest Practicable Date, among the Bank's 9,521 existing Shareholders, the Bank has not been able to confirm the identities of 611 of its Shareholders because the Bank is unable to contact them or for other reasons. The Shares held by such Shareholders represented an aggregate of approximately 0.22% of the Bank's total issued share capital.

There is no assurance that the Bank will successfully contact and accurately record all holders of the Bank's Shares or all persons who are entitled to the Bank's Shares. The Bank has entrusted the Shares held by all of the Bank's existing Shareholders, including such unidentifiable Shareholders, to Property Rights Trading Center in Jiangxi Province. Zhong Lun Law Firm, the Bank's PRC legal advisor, is of the view that the existence of the aforementioned unidentifiable Shareholders is not expected to (i) have a material adverse effect on the Bank's share capital structure, corporate governance and business operations; and (ii) have a material adverse effect on the Listing according to applicable PRC laws and regulations. However, there is no assurance that there will not be any disputes regarding equity interests raised by Shareholders, such as disputes over the dilution of their shares, including H Shares. Any such disputes or objections may result in negative publicity or reputational damage to the Group.

The Group may be subject to more stringent regulatory requirements in the future and the Bank's Shareholders, including holders of the Bank's H Shares, may be subject to voting restrictions due to their pledge of the Bank's shares.

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

To comply with the Notice, the Bank included articles of Voting Restrictions in its Articles of Association, which was adopted and approved at the Bank's Shareholders' meeting on April 18, 2014, and later approved by CBRC Jiangxi Office on October 10, 2014. However, the Notice lacks clarification and guidance as well as authoritative interpretation. For details, please see "Supervision and Regulation – Ownership and Shareholder Restriction – Restrictions on Shareholders". According to the Notice, a shareholder who pledges his equity interest shall notify the board of the bank in advance, while 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 interest in the bank, he shall make a filing to the board of directors of the bank prior to the pledge. For details on the Bank's internal control measures in relation to monitoring and recording share pledges, please see "Supervision and Regulation – Ownership and Shareholder Restrictions – Restrictions on Shareholders" and "Summary of Articles of Association – Transfer of Shares – Pledge of Shares". As of the Latest Practicable Date, there was no clear implementation rule, interpretation or guidance on legal consequence should the relevant shareholder fail to make a successful notification or filing. However, there is no assurance that the PRC authority may not issue more stringent rules and regulations to set restrictions or prohibitions against share pledges made by shareholders who failed to complete relevant notice or filing prior to the share pledge. In addition, there is no assurance that the Bank will not be required by regulatory authorities to impose the Voting Restrictions on its Shareholders, including holders of the Bank's H Shares, in a manner deemed appropriate by such regulatory authorities which, in extreme cases, may involve suspension of the relevant Shareholders' voting rights.

The Group's 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 the Group, its senior management or China's banking industry in general, even if such negative publicity is inaccurate, unsubstantiated or immaterial.

The Group's business reputation is crucial to its success. China's banking industry continues to be covered extensively and critically by various news media. In recent years, incidents of fraud and issues in relation to NPLs, loan quality, capital adequacy, solvency, internal controls, and risk management have been extensively reported by the media. Prior to the Acquisition, Jingdezhen City Commercial Bank and the Bank, which were separate independent legal entities, may have faced negative media coverage, with respect to their respective business operations, employees' non-compliance, administrative penalties and others which are beyond the Group's control. In particular, there are negative news articles alleging the Bank incurred loss due to its failure to properly conduct risk management work. The above mentioned negative media coverage, whether accurate or applicable or not, or, even if they are materially misleading, will have a material adverse effect on the Group's reputation and will consequently undermine the Group's customers' confidence. As a result, the Group's business, financial condition, results of operations, prospects and the value of your investment may be materially and adversely affected.

The Group's deferred tax assets may not be recovered, which could materially and adversely affect the Group's results of operations.

As of December 31, 2017, the Group's deferred tax assets amounted to RMB1,522.6 million, representing approximately 0.4% of the Group's total assets. The Group periodically assesses the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, 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. However, there is no assurance that the Group's expectation of future earnings will be accurate due to factors beyond its control, such as general economic conditions or negative development of regulatory environment, in which case the Group may not be able to recover its deferred tax assets which thereby could have a material adverse effect on the Group's results of operations.

Changes in the fair value of the Group's investment securities may materially adversely affect the Group's operating results, financial condition and prospects.

As of December 31, 2017, the Group had available-for-sale financial assets of RMB59,606.1 million and securities classified as financial assets at fair value through profit or loss of RMB587.8 million. For details of the Group's available-for-sale assets and securities classified as financial assets at fair value through profit or loss, please see "Assets and Liabilities – Distribution of Investments by Investment Intention" for further details. All these financial assets are stated at fair value. The Group recognizes fair value change arising from re-measurement of securities classified as financial assets at fair value through profit or loss directly in profit or loss in the period in which they arise. For available-for-sale debt investments, the Group recognizes the change in their fair value under other comprehensive income. During the Track Record Period, the Group recognized RMB49.5 million fair value gains, and RMB61.1 million and RMB110.0 million fair value losses, respectively, from re-measurement of securities classified as financial assets at fair value through profit or loss. The Group recognized fair value gains of RMB84.0 million for the year ended December 31, 2017, resulting from re-measurement of available-for-sale debt investments. Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of these financial assets, which will result in a decline in the Group's reported shareholders' equity, book value per share and profits. In addition, the value ultimately realized by the Group on disposal of these assets may be lower than their current fair value. Any of these factors could require the Group to record negative fair value adjustments, which may have a material adverse effect on the Group's operating results, financial condition or prospects. To the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of economic instability. In such circumstances, the Group is required to make assumptions, judgments and estimates in order to establish their fair value. Since reliable assumptions are difficult to make and are inherently uncertain, the actual results may differ from the Group's estimates. Any consequential impairments or write-downs could have a material adverse effect on the Group's operating results, financial condition and prospects.

The Group determines fair value of level 3 financial instruments based on valuation techniques and various assumptions of unobservable inputs, which may fluctuate according to the changes in the unobservable inputs.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In line with its accounting policies, the Group establishes a fair value hierarchy that prioritizes the inputs to valuation techniques being used to measure fair value of its financial instrument. The Group determines fair value of its financial assets and financial liabilities that are classified in levels 1 and 2 of the fair value hierarchy based on observable prices and inputs. In particular, as of December 31, 2015, 2016 and 2017, level 1 and level 2 financial assets of the Group in aggregate amounted to RMB9,169.8 million, RMB35,041.6 million and RMB26,262.4 million, respectively, representing approximately 52.8%, 46.9% and 43.6%, respectively, of the Group's total financial assets measured at fair value as of the same dates. Instruments classified in level 3 of the fair value hierarchy are those which require one or more significant inputs that are not observable. In particular, as of December 31, 2015, 2016 and 2017, level 3 financial assets of the Group amounted to RMB8,192.0 million, RMB39,634.6 million and RMB33,921.3 million, respectively, representing approximately 47.2%, 53.1% and 56.4%, respectively, of the Group's total financial assets measured at fair value as of the same dates and approximately 3.9%, 12.6% and 9.2%, respectively, of the Group's total assets as of the same dates. The increase in level 3 financial assets in 2016 compared to 2015 mainly reflected the Group's efforts in expanding its financial markets business, particularly, the increase in investments in trust plans and asset management plans issued by PRC financial institutions with good credit record, to achieve higher investment return. The decrease in level 3 financial assets in 2017 compared to 2016 was mainly due to the decrease in the Group's investments in wealth management products issued by other PRC commercial banks, trust plans and asset management plans which were classified as available-for-sale financial assets, primarily reflecting the Group's adjustment of its investment strategy by allocating more funds to other investments with higher yields. For more details on level 3 financial assets, please also see Note 46 to the Accountants' Report attached as Appendix I to this prospectus.

Absent evidence to the contrary, instruments classified in level 3 of the fair value hierarchy are initially valued at transaction price, which is considered to be the best initial estimate of fair value. To determine fair value, the Group relies on judgment from its management taking into various factors, including changes in unobservable inputs such as estimated future cash flows and discount rates. Many of these factors are beyond the Group's control and may not be available on a consistent basis. In addition, the judgment and estimation is a subjective process and is subject to inherent limitations. There is no assurance that such judgment and estimation can always be accurate, in which case, the fair value of relevant financial instrument may be materially and adversely affected, resulting in material and adverse impact to the Group's financial conditions and results of operations.

The Group has entered into outsourcing agreements for IT services and any difficulties experienced in these arrangements could result in additional expense, loss of customers and income or an interruption of the Group's services.

The Group has entered into contracts with third-party service providers to provide technology services in relation to its business operation. If these service providers fail to provide services in accordance with the standard the Group expected or become unable to continue providing such services, the Group's business operation may be disrupted, or relevant lines of business may be terminated, should the Group fail to timely substitute relevant service provider with other supplier. There is no assurance that the Group will always be able to find a suitable new service provider in a timely manner or with acceptable terms and conditions. The occurrence of relevant incidence may materially and adversely affect the Group's business, prospects, financial condition, results of operations and reputation.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The Group faces increasingly intensive competition in China's banking industry.

The banking industry in China is becoming increasingly competitive. The Group faces competition with PRC or foreign commercial banks in all of its principal lines of business. The Group principally competes with large state-owned commercial banks, nationwide joint-stock commercial banks, rural commercial banks and other city commercial banks. 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 establishment of private banks. The Guidance Letter also provides a policy direction to the increasing involvement by private sector capital in the financial industry in China. The Group may therefore face competition from private banks in the future. Due to the market liberalization by the PRC Government, competition in the PRC banking industry will be further intensified.

The Group competes with its competitors for substantially the same customers on loans, deposits and fee- and commission-based products and services. Such competition may materially and adversely affect the Group's business and future prospects by, for example, reducing the Group's market share in its principal products and services, reducing the Group's fee and commission income, affecting the growth of the Group's loan or deposit portfolios and their related products and services, and increasing competition for soliciting senior management talent and qualified professional personnel.

In addition to competition from other banks and financial institutions, the Group also faces competition from other forms of investment alternatives in China. In recent years, financial disintermediation, which involves investors' moving funds out of commercial banks and other financial institutions, to direct investments, has increased in China due to the availability of new financial products, the further development of the capital markets, the diversification of customer demand, and other factors. The Group's deposit customers may move their funds deposited with the Group to invest into stock, debt securities, and wealth management products, which may result in a decrease in the Group's deposits from customers, the most important source of funds available to the Group for its lending business, further impacting the Group's net interest income. In addition, due to the development of the capital markets, the Group 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 the Group's customers choose alternative ways of financing to meet their funding needs, this may adversely affect the Group's interest income. A decrease in the financing demand of the Group's corporate banking customers could materially and adversely affect the Group's 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, such as online wealth management products, third party online payment platforms and Internet financing service platforms. Online wealth management products have attracted a large number of retail banking customers. Bank profits are challenged by the growing popularity of third-party online payment platforms, such as Alipay and Tenpay. With the rapid growth in e-commerce, Chinese customers are now paying for a wide range of goods and services online. Although 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. Similar to other commercial banks, the Group also faces competition from other types of Internet finance. There is no assurance that the Group will successfully meet the challenges from such Internet finance companies and, in the event that the Group is unable to effectively respond to the changes in the competition environment of the PRC banking industry, the Group's business, financial condition and results of operations could be materially and adversely affected.

The competition layout in the banking industry keeps evolving in line with advancement of information technology where the traditional banking institutions faces intensified challenges in terms of electronic banking and internet finance.

In line with continuous development and further penetration of internet technology, traditional banks are facing ever increasing challenges in respect of electronic banking capacities and the internet finance sector, both of which keep evolving. On one hand, more and more customers are inclined to access banking services through internet at their computers or mobile handsets instead of going to physical bank branches, imposing great challenges for traditional banks to ensure strong technology infrastructure and system to deal with multi-screen and around-clock access to their services, where customers are increasing demanding improvement in convenience, efficiency and security even at peak hours. On the other hand, traditional banks face ever increasing competition from non-banks that have commenced offering internet finance services, such as payment, wealth management, consumer finance, or even checking and savings, including technology giants, large-scale retailers, entities offering peer-to-peer financing products and online or mobile commercial platforms offering settlement services. Leveraging their competitiveness in technology capacity, databases of customers' transaction behavior and/or different regulatory regimes, these enterprises proactively proceed with technology and business model innovation services to take over more and more of the bank value chain, including those core areas that are key source of banks' revenues. In particular, they are successful in offering efficient and convenient financial products and services towards customers unserved or under-served by traditional banks due to restrains in their technology capacity and risk management policies. Furthermore, many technology giants and large-scale retailers managed to establish its own banking institutions upon obtaining approval, imposing a more direct and full-fledged competition against existing traditional banks. Please also see the section headed "Industry Overview – Industry Trends and Business Drives – Challenges, Competition and Opportunities Arising from Electronic Banking and Internet Finance."

Many of these non-bank enterprises or newly established banks have stronger technology capacities, larger and more diverse database in terms of customer identification and transaction behavior, more convenient access to large pools of prospective customers, greater capital raising capacity and more prevailing brand recognition among consumers. In addition, there is no assurance that the government may not issue favorable law, regulations or policies encouraging development of internet finance, creating an even more favorable regulatory regime for relevant non-bank enterprises to proceed or further explore into other sectors in the bank value chain that are crucial for revenue generation or profitability of traditional banking institutions. There is no assurance that traditional banking institutions could get sufficient technology resources, sufficient numbers of experienced experts, necessary market knowledge or channels, to successfully improve their electronic banking capacities or cope with challenges brought up by development of internet finance. In addition, business development and transformation in this respect demands a large amount of capital and devotion of the management, which may further cause material and negative impact to traditional banking institutions, including the Group. Occurrence of above mentioned factors may materially and adversely affect the Group's business operations, financial results and development prospective.

The PRC banking industry is highly regulated, and the Group is susceptible to changes in regulation and government policies.

The PRC banking industry is highly regulated and the Group's 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 the Group operates, or the specific businesses for which the Group can charge fees, as well as changes in other governmental policies. The Group is subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include but are not limited to the MOF, NAO, PBoC, SAT, CBIRC, CSRC, SAFE and their respective local branches. Some of these regulatory authorities conduct periodic and ad hoc inspections, examinations and inquiries on the Group's 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 banking products and services, market entry, opening of new branches or institutions, tax and accounting policy and pricing. The CBIRC, as the primary banking industry regulator, has promulgated a series of banking regulations and guidelines aiming at improving the operations and risk management of Chinese commercial banks. In particular, since late 2017, in line with the policy to mitigate potential risks in the PRC financial markets, the CBIRC, including its predecessor, the CBRC, has promulgated a series of rules and regulations further enhancing supervision and restriction upon various business operations of banks, including entrusted loans and cooperation between banks and trust companies. Rules and regulations include *Notice of the CBRC* *on the Regulation of the Business between Banks and Trust Companies* (中國銀監會關於規範銀信類業務的通知) and *Administrative Measures of Entrusted Loans for Commercial Banks* (商業銀行委託貸款管理辦法). These rules and regulations prevent banks and other financial institutions from circumventing regulatory restrictions to provide financing for industries or enterprises subject to restrictions, such as real estates, LGFVs and industries with heavy pollution, high energy consumption or overcapacity. According to the *Notice on Adjustment to Regulatory Requirement on Allowance Coverage Ratio of Loans granted by Commercial Banks in China* (關於調整商業銀行貸款損失準備監管要求的通知) issued by the CBRC in March 2018, regulatory allowance coverage ratio was set between 120% to 150%, with the specific ratio for a commercial bank to be determined based on various factors, including the relevant bank's capital adequacy, status of NPL solution and asset quality. Based on the Bank's consultation with the CBRC Jiangxi Office, the specific allowance coverage ratio applicable to the Bank is 150%.

Recently, the PRC Government has promulgated a series of regulations with aim to mitigate and prevent concentration of credit risks among the PRC banking industry, including the *Measures for the Administration of the Large Exposures of Commercial Banks* (商業銀行大額風險暴露管理辦法) (the "**April 24 Measures**") and the *Administrative Measures for Joint Credit Granting of Banking Financial Institutions (Provisional)* (銀行業金融機構聯合授信管理辦法(試行)) (the "**Provisional Joint Credit Granting Measures**") issued by the CBIRC on April 24, 2018 and May 22, 2018, respectively.

The April 24 Measures consolidates and enhances the previously scattered regulatory requirements addressing client concentration risks of PRC commercial banks, commercial banks' risk exposure to an interbank customer, and has set out maximum credit facilities banks could grant to a single customer and a group customer. The April 24 Measures will become effective on July 1, 2018. The April 24 Measures requires PRC commercial banks to satisfy its risk exposure requirements in principle after December 31, 2018, but it also sets out grace periods for different compliance requirements, ranging from one to three years.

The Provisional Joint Credit Granting Measures addresses risks associated with credit facilities from different banks that are being granted to a single borrower with the target of encouraging banks to diverse its credit facility portfolio and curbs multiple-financing and over-financing activities. It requires different banks to form a joint credit extension committee to manage credits to borrowers when outstanding credit facilities to such borrower meet certain requirements, through which, they may jointly undertake credit review, grant or extension operations, monitor use of proceeds, and conduct other necessary credit risk management measures. According to the Provisional Joint Credit Granting Measures, it is compulsory for banks to organize such committee if the outstanding balance of aggregate credit facilities of a borrower exceeds RMB5.0 billion and involves more than three banks. Banks may voluntarily form a committee if the outstanding balance of aggregate credit facilities of a borrower ranges between RMB2.0 billion and RMB5.0 billion, and involves more than three banks. In particular, the Provisional Joint Credit Granting Measures requires CBRC offices in different regions to initiate pilot programs by selecting a number of enterprises before June 30, 2018, with the target to steadily fine tune and extend this practice nationwide at a later stage.

As of the Latest practicable Date, there was no detailed implementation rules being published for these newly promulgated rules and regulations and the Bank has not received any notice from relevant regulatory authorities that would cause material and adverse impact to its business. However, there is no assurance that such practice may not materially and negatively affect the Bank's capacity to secure or improve its credit extension to large-scale enterprises, including quality borrowers with credit facilities at different competing banks. In particular, the Bank may not be able to successfully expand its loans or financial market products and services to affected borrowers due to relevant restrictions, and it may not be able to locate sufficient numbers of alternative clients or products to achieve satisfying investment return in time, or at all. Furthermore, there is no assurance that local regulatory authorities may not issue more stringent implementation standards or procedures, causing the Bank to incur even more costs or management resources. The occurrence of any of such incidents may cause material and adverse impact to the Bank's business operation, financial conditions or prospect.

Many of the policies, laws and regulations governing the banking industry or the interpretation thereof may change in the future, and the Group 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 the Group's business, which could materially and adversely affect the Group's 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 domestic financing channel for corporates and the primary choice for savings. The Group expects the banking industry in the PRC to maintain its growth as a result of the continued growth in the PRC economy and increases in household income, 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 slowdown, the Group cannot assure you that the banking industry in the PRC is free from systemic risks. The recent slowdown in China's economic growth has led to a rise in NPLs in the banking industry. In the event that the Group cannot adapt to such changes, the Group's business, financial condition and results of operations could be materially and adversely affected.

Changes in the PRC interbank market liquidity and volatility in interest rates could significantly increase the Group's borrowing cost and materially and adversely affect the Group's liquidity as well as the Group's financial condition.

The Group manages its liquidity partly through short-term borrowing in the interbank market and as such, it borrows short-term funds on the interbank market from time to time. As of December 31, 2017, the Group's deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements accounted for 8.6%, 0.4% and 1.9% of the Group's total liabilities. Any significant changes in the liquidity and interest rate in the PRC interbank market could have an impact on the Group's financing costs. A market rate system based on SHIBOR has been developed for the PRC interbank market. However, due to the relatively short history of the PRC interbank market, there may be significant volatility in market interest rates. There is no assurance that SHIBOR interest rates will not experience irregular fluctuations or will return to the normal range in the short term after irregular fluctuations in such rates in the future. SHIBOR reflects changes in the interest rates, which may materially affect the Group's cost of borrowing of short-term funds in the interbank market. Any significant volatility in interest rates on the interbank market may have a material and adverse effect on the Group's cost of borrowing short-term funds and its liquidity. For further discussion on risks associated with interbank business, please also see the section headed "– The Group manages the Group's liquidity partly through short-term borrowing in the interbank market. The Group's borrowing costs may increase as a result of the fluctuation in interest rates on the interbank market, which may materially and adversely affect the Group's liquidity, financial condition and results of operations".

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

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

Although national financial credit information databases developed by PBoC have been put into use, national credit information databases in China are generally under-developed, and as such, databases are not able to provide complete credit information on certain 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, the Group will have to rely on other publicly available information and its internal resources, which may not be effective in assessing 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 other countries or regions, which would not allow the Group to effectively monitor changes to the credit standing of its customers in a timely manner. As a result, the Group's ability to effectively manage its credit risk may be limited, which could materially and adversely affect the Group's 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 authorities 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 permitted by the approval authorities. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining prior approval from the regulatory authorities for the PRC banking industry, such shareholder may be subject to sanctions by the regulatory authorities for the PRC banking industry, which includes correction of such misconduct, confiscation of illegal gains or fines. In addition, under the PRC Company Law, the Bank may not extend any loans that use the Bank's Shares as collateral. On January 5, 2018, the CBRC issued the *Interim Measures for Management of Commercial Bank Equity* (商業銀行股權管理暫行辦法) with effect on the same day, which provides explanation on measures to identify major shareholder of a bank and sets forth restriction on shareholders of banks in China in terms of their transaction with, investment in. For details, please also see "Supervision and Regulation – Ownership and Shareholder Restrictions – Regulation on Equity Management of Banks". Furthermore, pursuant to the Corporate Governance Guidelines and the Bank's Articles of Association, a Shareholder must notify the Bank's Board of Directors before pledging the Bank's Shares as collateral for itself or others. In addition, Shareholders who have outstanding loans from the Bank exceeding the net value of the Bank's Shares (which derived from the audited consolidated financial statements) held by them at the end of the previous financial year are not permitted to pledge the Bank's Shares. The Bank's Shareholders (especially the major shareholders) and the Bank's Directors designated by them are restricted from voting in Shareholders' general meetings and Board meetings, respectively, if such Shareholders fail to repay outstanding borrowings when due. Changes in shareholding restrictions imposed by the PRC Government or as provided for in the Bank's Articles of Association in the future may materially and adversely affect the value of your investment.

Changes in accounting standards or policies may materially affect the Group's financial condition and results of operations.

Financial accounting and reporting standards as well as relevant interpretation, which govern the form and content of the Group's financial statements, are subject to changes from time to time. Such changes are beyond the Group's control and can be difficult to predict, and may materially impact how the Group records and reports the results of its operations, for example, the Group may be required to apply a new or revised standard retroactively, leading to material changes to previously reported financial results.

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments, which became effective during the year commencing on or after January 1, 2018, and early adoption was allowed. IFRS 9 replaced IAS 39 – Financial Instruments: Recognition and Measurement. In addition, in October 2017, the IASB issued early repayment features and negative compensation (amendments to IFRS 9), which became effective during the year commencing on or after January 1, 2019, and early adoption was allowed.

On January 1, 2018, the Group adopted IFRS 9 issued in July 2014 and early adopted the amendments to IFRS 9 on the same date. Based on the assessment undertaken to December 31, 2017, the total preliminary estimated adjustment (net of tax) of adoption of IFRS 9 on the opening balance of the Group's equity on January 1, 2018 amounted to approximately RMB360.1 million, representing (i) a reduction of approximately RMB392.8 million related to impairment requirements, (ii) a reduction of approximately RMB140.9 million related to classification and measurement requirements, other than impairment, and (iii) an increase of approximately RMB173.6 million related to the impact of deferred tax. However, the actual impact of adoption of IFRS 9 is subject to change while the Group continuously invests in further refinement on implementation of rules and system that have yet to be put into operation for an extended period of time. For more details, please see "Financial Information – Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "Financial Information – Impact of Future Accounting Policy Changes". Please also see Note 2 (1) to Accountants' Reports attached as Appendix I to this prospectus.

Among other things, IFRS 9 adopts a different credit loss model compared with that being used in IAS 39, where a loss event will no longer need to occur before an impairment allowance is recognized. In addition, the impairment model of IFRS 9 demands the Group's management to make judgement on whether there is a significant increase in credit risks in certain assets, and if so, the Group shall make provisions for a lifetime expected credit losses for relevant assets rather than setting out allowance in the amount of 12-month expected credit losses. As a result, it is expected this mechanism may cause accelerating recognition of losses in the future, which may further restrain the Group's capacity in offering new loan products or making investment. Furthermore, because the initial application of IFRS 9 may result in a negative impact on equity for the Group, the Group may have to raise more capital in a more frequent way to support its business expansion, should there is any potential deterioration of loans products or investment. The occurrence of such event may cause material and adverse impact to the Group.

Any future changes to the Group's accounting policies may have a material impact on the Group's financial condition and results of operations.

The transition from business tax to value-added tax may adversely affect the Group's financial condition and results of operations.

The PRC Government has been progressively implementing the pilot reform for the transition from business tax to value-added tax in certain regions and industries since 2012. Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-added Tax (關於全面推開營業稅改徵增值稅試點的通知, Cai Shui [2016] No. 36) and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax (營業稅改徵增值稅試點實施辦法) issued by MOF and SAT on March 23, 2016, the pilot program started to apply to the financial industry from May 1, 2016. The Group started to calculate and pay value-added tax instead of business tax from May 1, 2016 onwards.

In addition, the MOF and the SAT issued the Circular on Value-added Tax Policies for Financial, Real Estate Development, Education Ancillary Service and Other Services (關於明確金融房地產開發教育輔助服務等增值稅政策的通知, Cai Shui [2016] No. 140) on December 21, 2016, the Supplemental Announcement on Value-added Tax Policies on Asset Management Products (關於資管產品增值稅政策有關問題的補充通知, Cai Shui [2017] No. 2) on January 6, 2017 and the Circular on Value-added Tax on Asset Management Products (關於資管產品增值稅有關問題的通知, Cai Shui [2017] No. 56) on June 30, 2017, which may cause significant impact on the value-added tax exposure of financial investment and asset management business of financial enterprises. Given that the Group has a percentage of assets in financial investments and the Group is managing a number of wealth management products, its operating results may be affected accordingly.

As such transition from business tax to value-added tax has been implemented just recently, the PRC Government may further supplement and amend the relevant policies and rules, and different interpretations may be applied during the implementation of these policies and rules. Therefore, uncertainties remain as to the tax treatment of the Group's income and expenses under the new value-added tax regime. Hence, implementation of measures for transition from business tax to value-added tax may adversely affect the Group's financial condition and results of operations.

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

The Group established a "five-level 12 sub-categories" loan classification system in accordance with the guidelines set forth by the CBRC. The five levels are normal, special mention, substandard, doubtful, and loss. In addition, based on these five levels, the Group further divides its credit assets into 12 sub-categories, including 4 under "normal", 3 under "special mention", 2 under "substandard", 2 under "doubtful" and 1 under "loss", and considers the loans classified below "substandard" as NPLs. In making relevant assessments, the Group determines and recognizes provisions by using the concept of impairment under IAS 39. For single substantial corporate loans classified as substandard or lower categories, the Group makes assessment on an individual basis. For performing corporate loans and for all of the Group's personal loans, the Group makes a collective assessment based on the Group's historical loss experience in similar portfolios and on current economic conditions. Although the Group's loan classification criteria is in compliance with the guidelines set forth by the CBRC, certain aspects of the Group's loan classification criteria may not be the same as those adopted by other PRC commercial banks. For details on the Group's loan classification criteria, please see "Assets and Liabilities – Assets – Loans to Customers – Asset Quality of The Group's Loan Portfolio – Loan Classification Criteria". As a result, the Group's loan classification as well as the Group's allowance for impairment losses, as determined under the Group's loan classification and provisioning policies, may differ from those that could be reported if the Group were incorporated in those countries or regions.

The applicable PRC regulations impose certain limitations on the products in which the Group may invest, and the Group's ability to seek higher investment returns and diversify its investment portfolio is limited.

Investment by commercial banks in China is subject to a number of restrictions. The investment assets of PRC commercial banks traditionally consist primarily of bonds issued by the MOF, PBoC, PRC policy banks, PRC commercial banks and corporate entities. In recent years, as a result of changes to the regulatory regimes and market conditions, additional investment products have been introduced to the market, such as trust plans, asset management plans and wealth management products, investment funds, asset-backed securities and beneficiary certificates. However, investments in equity products by commercial banks are still subject to strict restrictions. Restrictions on the ability to diversify the investment portfolio of commercial banks in China (including the Bank) may limit the Group's ability to seek optimal returns.

RISKS RELATING TO THE PRC

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

All of the Group's businesses, assets, operations and revenues are located in or derived from its operations in the PRC and, as a result, the Group's 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 Government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies.

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 issuing 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 treatments to particular industries or enterprises.

The Group's 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 as well as the political environment in various regions of the world will continue to impact China's economic growth. China's real GDP growth was 7.4%, 6.9% and 6.7% in 2014, 2015, and 2016, respectively.

The Group is unable to predict all the risks and uncertainties that it faces as a result of current economic, political, social, and regulatory developments and many of these risks are beyond the Group's control. All such factors may adversely affect the Group's business and operations as well as the Group's financial performance.

The legal protections available to you under the PRC legal system may be limited.

The Bank is 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.

The Bank's Articles of Association provide that, apart from disputes over the recognition of Shareholders or the register of Shareholders, disputes between holders of H Shares and the Bank, the Bank's Directors, Supervisors or senior management personnel or other Shareholders arising out of the Bank's Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related laws and administrative regulations concerning the Bank's affairs are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission ("**CIETAC**") or the Hong Kong International Arbitration Center. Awards made by the PRC arbitral authorities (including CIETAC) recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong subject to provisions of the Arbitration Ordinance of Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, the Group 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 the Group and its management.

The Bank is a joint stock company incorporated under the laws of the PRC with limited liability, and substantially all of the Bank's assets are located in the PRC. In addition, a majority of the Bank's Directors, Supervisors, and all of the Bank's 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 the Bank or most of its 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.

On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing.

Withholding tax may be imposed on payments on the H Shares.

The United States has enacted rules, commonly referred to as "FATCA," that generally impose a withholding regime with respect to "withholdable payments," generally U.S. source payments of dividends and interest and, beginning in 2019, gross proceeds from the disposition of property that can produce U.S. source payments, and, in the future, may impose such withholding on "foreign passthru payments" made by a "foreign financial institution" (an "**FFI**"), unless such FFI complies with certain diligence and reporting requirements. Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the H Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments on the H Shares made before January 1, 2019. The United States has entered into an intergovernmental agreement (an "**IGA**") with Hong Kong (the "**Hong Kong IGA**"), and has agreed in substance with the PRC to an IGA (the "**PRC IGA**"), which potentially modifies the FATCA withholding regime described above. Under the FATCA rules and the IGAs, the Group and its subsidiaries that are treated as FFIs will be subject to the diligence and reporting obligations under FATCA or an applicable IGA. In order to avoid the withholding regime described above, the Group and each of its subsidiaries intend to comply with the diligence and reporting requirements under FATCA in accordance with relevant laws and regulations, which may affect how the Group structures its operations and conduct its business. It is not yet clear how the Hong Kong IGA and the PRC IGA will address foreign passthru payments. Prospective investors in the H Shares should consult their tax advisors regarding the potential impact of FATCA, the PRC IGA, the Hong Kong IGA and any non-U.S. legislation implementing FATCA, on their investment in the Shares.

The Group is subject to PRC laws and regulations on currency conversion, and the fluctuation of the Renminbi exchange rate may materially and adversely affect the Group's business and its ability to pay dividends to holders of H Shares.

A substantial part of the Group's revenue is denominated in Renminbi, which is not a fully freely-convertible currency. A portion of the Group's revenues must be converted into other currencies in order to meet the Group's foreign currency obligations. For example, the Group needs to obtain foreign currency to make payments of declared dividends, if any, on the Bank's H Shares.

Under China's existing laws and regulations on foreign exchange, following the completion of the Global Offering, the Bank 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 and current account transactions under certain circumstances, which would limit the Bank's ability to exchange Renminbi for other currencies. Therefore, the Bank may not be able to pay dividends in foreign currencies to the Bank's H Shares holders.

From time to time, the value of the Renminbi against the U.S. dollar and other currencies fluctuates, and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC Government. On July 21, 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar where the Renminbi is permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the PBoC. The PRC Government further reformed the Renminbi exchange rate regime in 2012 and 2014. On August 11, 2015, PBoC announced to improve the central parity of Renminbi against the 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 exchange as well as changes in major international currency exchange rates. On the same day, the central parity of Renminbi against the U.S. dollar depreciated nearly 2.0% as compared to August 10, and further depreciated nearly 1.6% on August 12 as compared to August 11. With the development of foreign exchange markets and progress towards interest rate liberalization and Renminbi internationalization, the PRC Government may in the future announce further reforms to the exchange rate regime.

As of December 31, 2017, 0.4% of the Group's assets and 0.3% of the Group's liabilities were denominated in foreign currencies. However, the Group's foreign currency business may expand and, therefore, any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may diminish the value of the Group's foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, the Bank's H Shares in foreign currencies. As the instruments available for the Group to hedge its exchange rate risk at a reasonable cost are limited, the Group cannot assure you that it will be able to fully hedge its exchange rate risk exposure relating to the Group's foreign currency-dominated assets. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of the Group's customers, particularly those deriving substantial income from product exporting or related businesses, and in turn may impair their ability to perform their obligations to repay their debt to the Group. Furthermore, the Group is also currently required to obtain approval from SAFE before converting large amounts of foreign currencies into Renminbi. All of these factors could adversely affect the Group's financial condition and results of operations.

Holders of H Shares may be subject to PRC taxation on dividends paid by the Bank and gains realized through their disposal of the Bank's H Shares.

Under applicable PRC tax laws, regulations, and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from the Bank or gains realized upon the sale or other disposition of the Bank's H Shares. Non-PRC domestic resident individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. The Bank is required to withhold such tax from dividend payments. According to relevant applicable regulations, generally, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. As of the Latest Practicable Date, there remains uncertainty in the interpretation and application of relevant current Chinese tax laws and regulations as to whether gains realized upon disposal of H Shares by non-PRC domestic resident individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC enterprise income tax at the rate of 10% on dividends received from PRC companies and gains realized upon disposal of equity interests in PRC companies pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its application measures, which can be further reduced under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides. 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 the Bank's H Shares may be materially affected.

Please see "Appendix VI – Taxation and Foreign Exchange".

Payment of dividends is subject to restrictions under PRC laws.

Under PRC laws and the Bank's Articles of Association, dividends may be paid only out of distributable profits. The Bank's profit distribution plan is subject to approval by a Shareholders' general meeting. In addition to the financial statements prepared in accordance with PRC accounting standards and regulations, the Bank will also prepare financial statements in accordance with IFRS. The Bank's 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. The Bank is prohibited from paying dividends for a given year out of its profit after tax to the Bank's 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 the Bank's Shareholders' meeting. As a result, the Bank may not have distributable profits to make dividend distributions to its Shareholders, including in respect to periods where the Bank has 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, the CBRC has the right to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratio requirements or that has violated certain other PRC banking regulations. For details, please see "Supervision and Regulation – Supervision of Capital Adequacy Level".

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

Natural disasters, epidemics, acts of war or terrorism or other factors beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the regions where the Group conducts its business. These regions may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power shortages or failures, or are susceptible to epidemics, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt the Group's 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 the Group's employees, cause loss of lives, disrupt the Group's business network, and destroy the Group's markets. Any of these factors and other factors beyond the Group's control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where the Group conducts business, cause the Group's business to suffer in ways that it cannot predict and materially and adversely impact the Group's business, financial condition and results of operations.

The Group cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this prospectus regarding the PRC, the PRC economy or the PRC and global banking industries.

Facts, forecasts and statistics in this prospectus related to the PRC, the PRC economy and the PRC and global banking industries, including the Group's market share information, are derived from various official sources and information published by various government authorities and departments, such as the PBoC, the CBRC, the NBS, the NDRC or other public sources, which are generally believed to be reliable. However, the Group cannot guarantee the quality, comparability, and reliability of such material. In addition, these facts, forecasts and statistics have not been independently verified by the Group or any other parties involved in the Global Offering, and may not be consistent with information available from other sources, and may not be complete or up to date. The Group has taken reasonable care in reproducing or extracting information from such sources. However, because of potentially flawed methodologies, discrepancies in market practice and other reasons, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics offered by other economies. Therefore, you should not unduly rely on such information.

RISKS RELATING TO THE GLOBAL OFFERING

No prior public market for the Bank's H Shares exists, an active trading market for the Bank's H Shares may not develop, and their trading prices may fluctuate significantly.

Prior to the Global Offering, there was no public market for the Bank's H Shares. There can be no assurance that an active trading market for the Bank's H Shares will develop and be sustained following the Global Offering. In addition, the initial Offer Price of the Bank's H Shares is expected to be fixed by agreement between the Joint Representatives (on behalf of the Underwriters) and the Bank, and may not be indicative of the market price of the Bank's H Shares following the completion of the Global Offering. Moreover, the trading volume and the price of the Bank's H Shares may be affected by various factors including the research reports yet to be released about the Bank prepared by securities and industries analysts or a reduction of their ratings on the Bank's H Shares. If an active public market for the Bank's H Shares does not develop after the Global Offering, the market price and liquidity of the Bank's H Shares could be materially and adversely affected.

Future sales or perceived sales of a substantial number of the Bank's Shares in public markets could adversely affect the prevailing market price of the Bank's H Shares and its ability to raise capital in the future.

The market price of the Bank's H Shares could decline as a result of future sales of a substantial number of the Bank's Shares or other securities relating to its Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of the Bank's securities, including any future offerings, could also materially and adversely affect the Bank's ability to raise capital at a time and on terms favorable to the Bank. In addition, the Bank's shareholders may experience dilution in their holdings to the extent the Bank will issue additional securities in future offerings. New equity or equity-linked securities issued by the Bank may also confer rights and privileges that take priority over those conferred by the H Shares.

The conversion of a significant number of Domestic Shares into H Shares may seriously harm the prevailing market price of the Bank's H Shares.

The Bank's Domestic Shares can be converted into H Shares, if the conversion and trading of H Shares so converted shall have been duly completed pursuant to requisite internal approval process and the approval from the relevant PRC regulatory authorities, including the CSRC. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the regulations, requirements and procedures of the Hong Kong Stock Exchange. A vote by the shareholders in separate class meetings is not required for the listing and trading of the converted shares on an overseas 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 the Bank's H Shares.

As the Offer Price of the Bank's H Shares is higher than the Bank's net tangible asset value per share, you will experience immediate dilution upon such purchase.

The initial public offering price of the Bank's H Shares is higher than the net tangible asset value per share of the outstanding shares of the Bank's then-existing shareholders as of December 31, 2017. Therefore, purchasers of the Bank's H Shares in the Global Offering will experience an immediate dilution in the pro forma adjusted net tangible asset value of HK$6.03 per H Share as of December 31, 2017, without giving effect to any changes to the Bank's net tangible assets subsequent to December 31, 2017, other than the Global Offering (assuming an offer price of HK$6.66 per share for the Bank's H Shares, being the high-end of the Bank's indicative offer price ranges of the Global Offering, respectively, and assuming that the Over-allotment Option for the Global Offering is not exercised and after deduction of estimated underwriting fees and offering expenses in connection with the Global Offering payable by the Bank). If the Over-allotment Option for the Global Offering is exercised, or if the Bank issues additional shares in the future, purchasers of the Bank's H Shares could experience further dilution.

Dividends distributed in the past may not be indicative of the amount of dividends that the Bank may distribute in the future.

The amount of dividends the Bank has paid historically is not indicative of the Bank's future performance or the amount of dividends that may be paid in the future. Any future declaration of dividends will be proposed by the Bank's Board and the amount of any dividends will depend on various factors, including the Bank's financial condition, results of operations, prospects, capital adequacy levels and other factors that the Bank's Board may determine to be important. For details of the Bank's distributed dividends during the Track Record Period, see "Financial Information – Dividends". The Bank cannot guarantee if and when the Bank will pay dividends in the future.

Since there may be a gap of several Business Days between pricing and trading of the Bank's H Shares, holders of the Bank's H Shares are subject to the risk that the price of the Bank's H Shares could fall during the period before trading of the Bank's H Shares begins.

The Offer Price of the Bank's H Shares is expected to be determined on the Price Determination Date. However, the Bank's H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Bank's H Shares during that period. Accordingly, holders of the Bank's H Shares are subject to the risk that the price of the Bank's H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

You should only place reliance on information released by the Bank including this prospectus, the Application Forms and other formal announcements made with respect to the Bank's Global Offering, and not place any reliance on any information contained in press articles or other media when making your investment decision.

The Bank has not authorized anyone to provide you with information that is not contained in this prospectus and the Application Forms. Any financial information, financial projections, valuations, and other information purported about the Bank contained in any press articles or other media have not been authorized by the Bank and the Bank make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly does not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. In making your decision as to whether to purchase the Bank's H Shares, you should rely only on the information in this prospectus, the Application Forms and other formal announcements made with respect to the Bank's Global Offering.

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 Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group. 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 this prospectus or any statement herein misleading.

APPROVAL OF THE CSRC AND THE CBRC

The Bank obtained approval letters from the CBRC Jiangxi Office and the CSRC on January 19, 2018 and May 7, 2018, respectively, for the submission of the application to list the H Shares on the Hong Kong Stock Exchange and for the Global Offering, respectively. In granting such approval, neither the CSRC nor the CBRC shall accept any responsibility for the financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or on the Application Forms.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of 87,750,000 H Shares initially offered and the International Offering of 1,082,250,000 H Shares initially offered (subject, in each case, to reallocation on the basis under "Structure of the Global Offering" in this prospectus).

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Representatives (on behalf of the Underwriters) and the Bank. The International Underwriting Agreement is expected to be entered into on or about Tuesday, June 19, 2018, subject to agreement on the Offer Price between the Joint Representatives (on behalf of the Underwriters) and the Bank. Further details of the Underwriters and the underwriting arrangements are set out in "Underwriting" in this prospectus.

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 the Bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors 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 the Group's affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the H Shares are set out in "How to Apply for Hong Kong Offer Shares" of this prospectus and on the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Representatives (on behalf of the Underwriters) and the Bank on or around Tuesday, June 19, 2018 or such later date as may be agreed upon between the Joint Representatives (on behalf of the Underwriters) and the Bank, and in any event no later than Friday, June 22, 2018. If the Joint Representatives (on behalf of the Underwriters) and the Bank are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed.

RESTRICTIONS ON OFFER AND SALE OF THE H SHARES

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, 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 H 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. Each person acquiring the H Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of the H Shares to confirm, that he is aware of the restrictions on offers and sales of the H Shares in this prospectus. In particular, the H Shares have not been publicly offered, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

The Bank has applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, the H Shares which may be issued pursuant to the Global Offering and upon the exercise of the Over-allotment Option. The Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in "Share Capital – Conversion of the Domestic Shares into H Shares" in this prospectus.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 am on Tuesday, June 26, 2018. Except for the pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of the Bank's 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 sought.

The H Shares will be traded in board lot of 500 H Shares. The stock code of the H Shares is 1916.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is rejected before the expiration of three weeks from the date of the closing of the subscription application, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Bank by or on behalf of the Hong Kong Stock Exchange.

COMPLIANCE WITH THE LISTING RULES

The Group will comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee of the Hong Kong Stock Exchange finds that there has been a breach by the Group of the Listing Rules or such other undertakings which may have been given in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee of the Hong Kong Stock Exchange may instigate cancellation or disciplinary proceedings in accordance with the Listing Rules.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

The Bank has instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with the Bank and each of the Shareholders, and the Bank agrees with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Bank's Articles of Association;

(b) agrees with the Bank, each of the Shareholders, Directors, Supervisors, managers and officers, and the Bank, acting for ourselves and for each of the Directors, Supervisors, managers and officers 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 the Group's affairs to arbitration in accordance with the 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 shall be final and conclusive;

(c) agrees with the Bank and each the Shareholders that the H Shares are freely transferable by the holders of the H Shares; and

(d) authorizes the Bank to enter into a contract on his or her behalf with each of the Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. It is emphasized that none of the bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

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

PROCEDURES FOR APPLICATION FOR THE H SHARES

The procedures for applying for the H Shares are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus and on the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

H SHARE REGISTER AND STAMP DUTY

All the H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the H Share register of members of the Bank maintained in Hong Kong. The Bank will maintain the principal register of members at the Bank's head office in the PRC.

Dealings in the H Shares registered in the H Share register of members of the Bank in Hong Kong will be subject to Hong Kong stamp duty.

Unless otherwise determined by the Bank, dividends payable in Hong Kong dollars in respect of the H Shares will be paid to the Shareholders listed on the H Share register of members of the Bank in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Bank.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and 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 on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. 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 advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, (i) the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.8176 to HK$1.00, the median rate set by PBoC for foreign exchange transactions prevailing on June 5, 2018, (ii) the translations between Renminbi and U.S. dollars were made at the rate of RMB6.4157 to US$1.00, the median rate set by PBoC for foreign exchange transactions prevailing on June 5, 2018, and (iii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of 7.8454, the noon buying rate in effect on June 1, 2018 as set forth in the H.10 weekly statistical release of the Federal Reserve Bank. Further information on exchange rates is set forth in "Appendix VI – Taxation and Foreign Exchange" to this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of the Bank's subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

In preparation for the Listing, the Bank has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, the Bank must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. The Bank's headquarter and principal business and operations are located, managed and conducted in the PRC. All of the Bank's material assets are situated in the PRC. None of the executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong. As a result, the Bank does not, and will not, in the foreseeable future, have sufficient management presence in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules. Furthermore, it would be impractical and commercially unnecessary for the Bank to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate the existing PRC based executive Directors to Hong Kong. Accordingly, the Bank has 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:

(i) the Bank has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Bank's principal channel of communication with the Stock Exchange. The two authorized representatives of the Bank are Mr. CHEN Xiaoming, an executive Director and the chairman of the Board who is an ordinary resident in the PRC, and Dr. Ngai Wai Fung ("**Dr. Ngai**"), one of the joint company secretaries of the Bank who is an ordinary resident in Hong Kong. Although Mr. CHEN Xiaoming resides in the PRC, he possesses valid travel documents to visit Hong Kong and is able to renew such travel document when it expires. Accordingly, each of the two authorized representatives of the Bank will be available to meet with the Hong Kong Stock Exchange within a reasonable period of time upon the request of the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and email;

(ii) each of the two authorized representatives of the Bank has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors for any matters. Each Director has provided his/her respective office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the authorized representatives of the Bank and the Hong Kong Stock Exchange;

(iii) the Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Stock Exchange within a reasonable period of time;

(iv) the Bank has appointed SPDB International Capital Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules to act as an additional channel of communication with the Hong Kong Stock Exchange for a period commencing from the Listing Date and ending on the date on which the Bank complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The compliance advisor of the Bank will advise the Bank on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and have full access at all times to the two authorized representatives of the Bank and the Directors; and

(v) any meeting between the Hong Kong Stock Exchange and the Directors will be arranged through the two authorized representatives of the Bank or the compliance advisor of the Bank or directly with the Directors within a reasonable time frame. The Bank will inform the Hong Kong Stock Exchange promptly in respect of any changes in the two authorized representatives and its compliance advisor.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, the Bank must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Pursuant to Rule 3.28 of the Listing Rules, the Bank must appoint as the company secretary an individual who, by virtue of his or her 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:

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

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

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

In accessing "relevant experience", the Hong Kong Stock Exchange will consider the followings of the individual:

(i) length of employment with the issuer and other issuers and the roles he or she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

The Bank has appointed Mr. XU Jihong ("**Mr. Xu**") and Dr. Ngai as the joint company secretaries. Mr. Xu has been the secretary to the Board and a vice president of the Bank since September 2006 and April 2008, respectively, and has extensive knowledge about the Bank's business operations and corporate culture and has extensive experience in matters concerning the Board and the Bank's corporate governance. For more details of Mr. Xu's biography, see "Directors, Supervisors and Senior Management – Board of Directors – Executive Directors". Although the Bank believes, having regard to Mr. Xu's past experience in handling administrative and corporate matters, that he has a thorough understanding of the Bank and the Board, Mr. Xu does not possess the requisite qualifications as required by Rule 3.28 of the Listing Rules. Therefore, the Bank has appointed Dr. Ngai, who is a Hong Kong resident and possesses the qualification and relevant experience as stipulated under Rule 3.28 of the Listing Rules, to be a joint company secretary of the Bank. For more details of Dr. Ngai's biography, please see "Directors, Supervisors and Senior Management – Joint Company Secretaries".

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, the Bank has put in place the following arrangements:

(i) Dr. Ngai, one of the joint company secretaries of the Bank who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Mr. Xu so as to enable him to discharge his duties and responsibilities as a joint company secretary of the Bank. Given Dr. Ngai's relevant experiences, he will be able to advise both Mr. Xu and the Bank on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(ii) the Bank undertakes to re-apply to the Hong Kong Stock Exchange in the event that Dr. Ngai ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary;

(iii) Mr. Xu, one of the joint company secretaries of the Bank, will be assisted by Dr. Ngai, for a period from May 30, 2018 to the end of three years after the Listing Date, which should be sufficient for him to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(iv) the Bank will ensure that Mr. Xu has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Mr. Xu has undertaken to attend such trainings;

(v) Dr. Ngai will communicate with Mr. Xu on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of the Bank. Dr. Ngai will work closely with, and provide assistance to Mr. Xu with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' general meetings; and

(vi) pursuant to Rule 3.29 of the Listing Rules, Mr. Xu and Dr. Ngai will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Mr. Xu and Dr. Ngai will be advised by the legal advisors of the Bank as to Hong Kong law and the compliance advisor of the Bank as and when appropriate and required.

Accordingly, the Bank has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules, provided that Dr. Ngai will act as a joint company secretary and provide assistance to Mr. Xu. The waiver is valid for an initial period of three years commencing from the Listing Date, and will be revoked immediately if Dr. Ngai ceases to provide assistance and guidance to Mr. Xu. Prior to the expiry of the initial three-year period, the Bank will re-evaluate the qualifications and experiences of Mr. Xu. Upon the determination of the Bank that no on-going assistance to Mr. Xu is necessary, the Bank will demonstrate to the Hong Kong Stock Exchange that, with the assistance of Dr. Ngai over such three-year period, Mr. Xu has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules. The Hong Kong Stock Exchange will then re-evaluate whether any further waiver would be necessary.

WAIVER IN RELATION TO HONG KONG FINANCIAL DISCLOSURE

Pursuant to Rule 4.10 of the Listing Rules, the information to be disclosed in respect of Rules 4.04 to 4.09 of the Listing Rules must be in accordance with best practices under the Companies Ordinance and HKFRS, IFRS or CASBE in the case of PRC issuers that has adopted CASBE for the preparation of its annual financial statements, and in the case of banking companies, the Guideline on the Application of the Banking (Disclosure) Rules issued by HKMA.

As the Bank is 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.

The Bank is currently unable to fully comply with the disclosure requirements under the Banking (Disclosure) Rules for the reasons described below. The Bank believes that the financial disclosure requirements that the Bank is unable to comply with are immaterial to potential investors of the Bank.

The Bank's position in relation to disclosures under the Banking (Disclosure) Rules

Section No.	Disclosure requirements[1]	Reason for a waiver in relation to the specific disclosure	Proposal for disclosure	Expected timing for full compliance
99. . . .	Sector information	The Bank maintains 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 the CBIRC.	For the Bank, all the loans and advances to customers are used in the PRC instead of in Hong Kong. The Bank is subject to the supervision of the CBIRC and maintains a breakdown of loans and advances to customers by industry sector based on the classification system as prescribed by the CBIRC, e.g., loans are categorized into corporate loans and personal loans which are further classified into detailed subcategories by industry/nature. The Bank has disclosed the loans and advances to customers in industry sectors in accordance with its management reports based on the CBIRC classification in Note 19(b) to the Accountants' Reports as set out in Appendix I of this prospectus. The Bank considers that the current disclosure is sufficient to serve HKMA's disclosure objectives.	N/A
102 . . .	An authorized institution shall disclose its non-HKD currency exposures which arise from trading, non-trading and structural positions in accordance with the return relating to non-HKD currency positions it submitted to HKMA pursuant to section 63 of the Banking Ordinance in respect of the annual reporting period.	The Bank's accounts are settled in Renminbi, which means that the Bank only disclosed non-RMB currency exposures instead of non-HKD currency exposures.	N/A	N/A

Section No.	Disclosure requirements[(1)]	Reason for a waiver in relation to the specific disclosure	Proposal for disclosure	Expected timing for full compliance
16M . .	Additional annual disclosure to be made by an authorized institution using standardized (credit risk) approach to calculate its credit risk for non-securitization exposures.	The computation basis for risks is promulgated by the CBIRC as set out in the Core Indicators (Provisional).	The Bank can provide relevant capital structure and adequacy in accordance with the disclosure requirements from the CBIRC's requirements. The Bank believes that such requirements attempt to address similar disclosure purpose as the requirements of the Banking (Disclosure) Rules.	N/A

Note:

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

Save for the above, as a financial institution incorporated and based in the PRC, the Bank is required to comply with the regulatory requirements set out by the CBIRC and the PBoC. Certain provisions of the Banking (Disclosure) Rules require disclosure in respect of the capital structure, capital base (in particular, relating to the level of capital adequacy), cross-border claims, liquidity ratios, PRC non-bank exposures and credit risks. The Bank has maintained and compiled data relating to these matters in accordance with the regulatory requirements of the CBIRC and the PBoC. The Bank believes that the CBIRC and the PBoC requirements are intended to address similar disclosure considerations of the requirements under the Banking (Disclosure) Rules, and the differences between the above disclosure requirements under the two regulatory regimes are minimal and immaterial. If the Bank attempts to comply with such requirements under the Banking (Disclosure) Rules in parallel with the CBIRC and the PBoC regulations, the Bank would be required, in its view, to carry out additional work to compile similar information already required and maintained in accordance with the CBIRC and the PBoC regulations. As a result, the Bank proposes to disclose the information in compliance with the CBIRC and the 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. The Bank is of the view that this prospectus contains sufficient information for investors to make their fully informed investment decision notwithstanding the differences between the CBIRC and the PBoC requirements on the one hand, and the requirements under the Banking (Disclosure) Rules on the other hand. The Joint Sponsors concur with the Bank's view based on the reasons set out above.

Based on the above, the Bank has 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 the Bank will not fully comply with the requirements in respect of the financial disclosure provided for under the Banking (Disclosure) Rules on the condition that the Bank provides alternative disclosure in accordance with the regulatory requirements of the CBIRC and the PBoC.

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1) of the Listing Rules requires that there must be an open market in the securities for which listing is sought, which normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. Pursuant to Rule 8.08 (1)(d) of the Listing Rules, the Hong Kong Stock Exchange may, at its discretion, accept a lower public float percentage of between 15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

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

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

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

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

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

The Bank has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.08(1) of the Listing Rules, pursuant to which, the public float may fall below 25% of the issued share capital of the Bank.

In support of such application, the Bank has confirmed to the Hong Kong Stock Exchange that:

(i) the minimum public float shall be the higher of: (i) 20%; and (ii) such percentage of H Shares to be held by the public immediately after the whole or part of the Over-allotment Option is exercised;

(ii) it is currently expected that the Bank will have a market capitalization of over HK$10 billion upon Listing;

(iii) the number of H Shares concerned and the extent of their distribution would enable the market to operate properly with the lower percentage of the public float upon Listing;

(iv) the Bank will make appropriate disclosure of the lower percentage of public float in this prospectus;

(v) the Bank will confirm sufficiency of public float in its successive annual reports after the Listing; and

(vi) the Bank will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Hong Kong Stock Exchange.

WAIVER IN RELATION TO CLAWBACK MECHANISM

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 the Offer Shares under the Hong Kong Public Offering to certain percentage of the total number of the Offer Shares offered under the Global Offering if a certain prescribed total demand level is reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 7.5% of the Global Offering and in the event of over-subscription under the Hong Kong Public Offering, the Joint Representatives (for themselves and on behalf of the other Underwriters), shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows:

(i) 87,750,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of the 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 140,400,000 H Shares, representing approximately 12% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 60 times the number of the 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 175,500,000 H Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 60 times or more than the number of the 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 351,000,000 H Shares, representing approximately 30% 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 allocated as between these offerings at the sole discretion of the Joint Representatives. Subject to the foregoing paragraph, the Joint Representatives may, in their sole discretion, reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. For details of the clawback mechanism, please see "Structure of the Global Offering".

WAIVER IN RELATION TO SUBSCRIPTION OF H SHARES BY AN EXISTING SHAREHOLDER

Rules 10.04, 10.03(1) and 10.03(2) of the Listing Rules provide that 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 following conditions are fulfilled: (1) that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (2) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 to the Listing Rules provides that no allocation will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled, without the prior written consent of the Stock Exchange.

Jingdezhen Coking Industry Group Co., Ltd. (景德鎮市焦化工業集團有限責任公司) ("**Jingdezhen Coking**") is expected to subscribe for the Offer Shares as a placee investor under the International Offering.

Jingdezhen Coking, together with its wholly owned subsidiaries, Jingdezhen Kaimenzi Ceramic Chemical Group Co., Ltd. (景德鎮開門子陶瓷化工集團有限公司) ("**Jingdezhen Kaimenzi**") and Jingdezhen Changjiang Hotel Co., Ltd. (景德鎮市昌江賓館有限責任公司) ("**Changjiang Hotel**"), holds 15,462,432 Domestic Shares, representing approximately 0.33% of the existing issued share capital of the Bank, as at the Latest Practicable Date.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 10.04 of the Listing Rules, and its consent under Paragraph 5(2) of Appendix 6 to the Listing Rules, to permit the allocation of H Shares to Jingdezhen Coking as a placee investor to subscribe for, and for us to place to it, H Shares under the International Offering, subject to the following conditions:

1. **Jingdezhen Coking is interested in less than 5% of the Bank's voting rights before listing on the Stock Exchange.**

   As of the Latest Practicable Date, Jingdezhen Coking is interested in approximately 0.33% of the existing issued share capital of the Bank.

2. **Jingdezhen Coking is not a core connected person of the Bank or its close associate.**

   As of the Latest Practicable Date, Jingdezhen Coking holds less than 1.0% of the issued share capital of the Bank. Upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Jingdezhen Coking will hold less than 10% of the enlarged issued share capital of the Bank. Thus, Jingdezhen Coking will not become a core connected person of the Bank or its close associate under the Listing Rules.

3. **Jingdezhen Coking does not have the power to appoint directors of the Bank or any other special rights in the Bank.**

4. **Allocation to Jingdezhen Coking will not affect the Bank's ability to satisfy the public float requirement.**

   As Jingdezhen Coking is not a connected person of the Bank, the participation of Jingdezhen Coking in the Global Offering as a cornerstone investor will not affect the minimum 20% public float requirement. The shares to be held by Jingdezhen Coking will be considered as part of the public float.

5. The Bank has confirmed to the Stock Exchange that no preferential treatment has been, nor will be, given to Jingdezhen Coking by virtue of its relationship with the Bank.

6. Based on the Bank's confirmation above, and discussions with the Bank and the Joint Bookrunners, the Joint Sponsors, to their best knowledge and belief, have no reason to believe that Jingdezhen Coking has received or will receive any preferential treatment in the Global Offering allocation as a placee investor under the International Offering by virtue of its relationship with the Bank.

Details of the allocation will be disclosed in the allotment results announcement of the Bank on or around Monday, June 25, 2018, including the name of, the number of securities allocated to, and the percentage of Offer Shares and/or total issued share capital taken up by Jingdezhen Coking.

Name	Residential Address	Nationality
Executive Directors		
Mr. CHEN Xiaoming (陳曉明)	Flat 3002, Building 5, Zone B Central Plaza Honggutan New District Nanchang Jiangxi Province, the PRC	Chinese
Mr. LUO Yan (羅焱)	Flat 14-2-402 Wanke Xishan Tingyuan Tianxiu Road Haidian District Beijing, the PRC	Chinese
Mr. XU Jihong (徐繼紅)	C0512C2 Mingya Swiss Elegance Honggutan New District Nanchang Jiangxi Province, the PRC	Chinese
Non-executive Directors		
Mr. QUE Yong (闕泳)	Flat 1101, Unit 1, Building 32 Mingmen Shijia Phase I Yiyuan Road Honggutan New District Nanchang Jiangxi Province, the PRC	Chinese
Mr. LI Zhanrong (李占榮)	Flat 301, Unit 1, Building 12 Boyuan Xianghu Mingju Dongxin Village Nanchang County Jiangxi Province, the PRC	Chinese
Mr. LIU Sanglin (劉桑林)	Flat 102, Unit 5, Building 6 Boyuan Xianghu Mingju 166 Fanghu Road Dongxin Village Nanchang County Jiangxi Province, the PRC	Chinese
Mr. DENG Jianxin (鄧建新)	Flat 601 No. 241, Supu Road Donghu District Nanchang Jiangxi Province, the PRC	Chinese

Name	Residential Address	Nationality
Ms. CHEN Yu (陳昱)	Flat 1702, Unit 3, Building 3 Fuhe Mingzhu No. 9, Anshi Road Xihu District Nanchang Jiangxi Province, the PRC	Chinese
Mr. ZENG Zhibin (曾智斌)	Flat 1202 Area 3 of Xiangyi Huacheng Hubin East Road Qingshanhu District Nanchang Jiangxi Province, the PRC	Chinese
Mr. TANG Xianqing (唐先卿)	Flat 2201, Unit 1, Building 5 Yangyang Spring No.599, Bayi Road Donghu District Nanchan Jiangxi Province, the PRC	Chinese
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Ms. ZHANG Wangxia (張旺霞)	No. 31, Area 1 Chang Qing Yuan Nan Li Haidian District Beijing, the PRC	Chinese

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Mr. CHEN Xinxiang (陳新祥)	Flat 201 No. 6 Xincun Central Road Zhushan District Jingdezhen Jiangxi Province, the PRC	Chinese

For more information of the Directors and Supervisors, please see “Directors, Supervisors and Senior Management”.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**CCB International Capital Limited** 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
	CLSA Capital Markets Limited 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Global Coordinators	**CCB International Capital Limited** 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	AMTD Global Markets Limited 23-25/F, Nexxus Building 41 Connaught Road Central Central Hong Kong
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	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	AMTD Global Markets Limited 23-25/F, Nexxus Building 41 Connaught Road Central Central Hong Kong
	Essence International Securities (Hong Kong) Limited 39/F, One Exchange Square Central Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
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CEB International Capital Corporation Limited
22/F, AIA Central
No. 1 Connaught Road Central
Central
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Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
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China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place Central
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Joint Lead Managers

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AMTD Global Markets Limited
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Audit Committee
Ms. ZHANG Rui *(Chairperson)*
Mr. LI Zhanrong
Ms. CHEN Yu
Mr. GUO Tianyong
Mr. WONG Hin Wing

Related Party Transactions Control Committee
Mr. GUO Tianyong *(Chairperson)*
Ms. CHEN Yu
Mr. DENG Jianxin
Ms. ZHANG Rui
Ms. WANG Yun

Risk Management Committee
Mr. ZENG Zhibin *(Chairperson)*
Mr. LI Zhanrong
Mr. LIU Sanglin
Mr. DENG Jianxin
Ms. ZHANG Wangxia
Mr. WONG Hin Wing

Remuneration and Nomination Committee
Ms. ZHANG Wangxia *(Chairperson)*
Mr. ZENG Zhibin
Mr. GUO Tianyong
Ms. ZHANG Rui
Ms. WANG Yun

Information and Technology Management Committee
Mr. QUE Yong *(Chairperson)*
Mr. LIU Sanglin
Mr. TANG Xianqing
Ms. WANG Yun

Consumer Rights Protection Committee
Mr. LIU Sanglin
Ms. CHEN Yu
Ms. ZHANG Rui
Ms. WANG Yun

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This section contains information and statistics relating to the industry in which the Group operates. The Bank has extracted and derived such information, in part, from data relating to the Group 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.

The Bank believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Bank has 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 the Bank, the Joint Sponsors, the Joint Representatives, 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. The Bank's Directors confirm that, after taking reasonable care, as of the Latest Practicable Date, there has been no material adverse change in the market information presented in this section.

OVERVIEW

China's Economy

China has witnessed phenomenal economic growth in the past decades since the implementation of "reform and opening up" policy in 1978 and had become the second largest economy in terms of GDP in the world since 2010. From 2012 to 2017, China's GDP increased at a CAGR of 8.9% from RMB54.0 trillion to RMB82.7 trillion. China's sustainable growth of the national economy has resulted in an increase in per capita disposable income. From 2012 to 2017, China's per capita disposable income of urban households grew at a CAGR of 8.2% from RMB24,565 to RMB36,396. The table below sets forth information on China's GDP, per capita GDP, per capita disposable income of urban households and its growth rate for the years indicated.

	For the year ended December 31,						CAGR
	2012	2013	2014	2015	2016	2017	(2012-2017)
GDP (in billions of RMB)	54,037	59,524	64,397	68,905	74,359	82,712	8.9%
Per capita GDP (in RMB)	40,007	43,852	47,203	50,251	53,935	59,660	8.3%
Per capita disposable income of urban households (in RMB)	24,565	26,467	28,844	31,195	33,616	36,396	8.2%
Fixed asset investment (in billions of RMB)	37,469	44,629	51,202	56,200	60,647	64,124	11.3%
Total import and export volume of goods (in billions of USD)	3,867	4,159	4,302	3,953	3,685	N/A	N/A

Source: NBS, National Economic and Social Development Statistics Bulletin

China's economy has now entered into a "New Normal" stage as it transformed from aiming at high GDP growth to optimizing and upgrading its economic structure. It strives to explore and cultivate drivers for economic growth, such as domestic consumption upgrades, industrial transformation and rural economic development in China. Besides, according to the Statistics Bulletins of the People's Republic of China on National Economic and Social Development (《國民經濟和社會發展統計公報》), the urbanization rate was 56.1%, 57.4% and 58.5% in 2015, 2016 and 2017 respectively, maintaining a relatively fast speed, which has also helped to accelerate the transformation of economic development.

According to the 13th Five-Year Plan (《十三五規劃綱要》), China plans to further expand the coverage of economic reform and strive for the promotion of both economic and social development. The 13th Five-Year Plan reiterates the "Belt and Road" (一帶一路) initiative proposed by the Chinese President XI Jinping in the year of 2013, which aiming at to build "Silk Road Economic Belt" for the purposes of covering Central Asia and West Asia. Furthermore, supple-side reform of the financial industry has also been proposed by the 13th Five-Year Plan, including the development of financial technology development, green finance, rural inclusive finance as well as poverty reduction relief finance. It is projected that China's banking industry will continue to benefit from the current economic trend.

Jiangxi Province's Economy

Jiangxi Province is located in Central China which comprises six provinces connecting the inner land and coastal area of China. Leveraging favorable policies encouraging economic development, Central China has experienced rapid economic growth in recent years and its GDP amounted to RMB15.9 trillion in 2016.

Capitalizing on its strategic geographic location, Jiangxi Province serves as a key hub and important market in China with a GDP of RMB1,850 billion in 2016, Jiangxi Province is the hub connecting the Pearl River Delta and the Yangtze River Delta regions of China, embracing various industries which migrate from the coastal areas in southeast China. It has abundant natural resources and a comprehensive mix of industries, with a particular strength in digital information, equipment manufacturing, automotive and food processing industries. Jiangxi Province's economy has benefited and will continue to benefit from the implementation of the following PRC national strategies and policies:

- "Belt and Road" (一帶一路) initiative. In September 2013, China proposed the strategic initiative of building the "New Silk Road Economic Belt" and the "21st Century Maritime Silk Road", together known as "Belt and Road" (一帶一路) initiative. The strategy underlines China's focuses on connectivity and cooperation among countries of Eurasia. Jiangxi Province actively took the initiative to serve the "Belt and Road" (一帶一路) initiative and continuously explored economic development opportunities. In April 2016, Jiangxi Government issued *Notice on Key Points of Participating the Construction of One Belt and One Road* (《關於印發江西省2016年參與"一帶一路"建設工作要點的通知》), aiming at laying a solid foundation for Jiangxi Province's further opening up.

- "Ganjiang River New Area" (贛江新區). In June 2016, the State Council approved the establishment of the Ganjiang River New Area in Jiangxi Province. According to relevant laws and regulations, Ganjiang River New Area will be built into an important pivot of the national strategy of "Yangtze River Economic Belt" following the guideline of technological innovation and transformation and upgrading. Ganjiang River New Area is focusing on boosting development and promoting ecological civilization as well as improving people's livelihood.

- Opinions on Supporting the Revitalization and Development of the Southern Jiangxi Area and Other Former Central Soviet Area (《關於支持贛南等原中央蘇區振興發展的若干意見》) ("**The Opinion**"). The Poyang Lake Area Economic Circle was set up since 2009 and the Opinion issued by the State Council in 2012 have targeted Jiangxi Province as an important manufacturing and ecological industry center of China's central region; and further set up development goals in respect of the infrastructure construction, industry development planning as well as public service in the Southern Jiangxi area. These policies effectively improved the financial needs of different areas in various economic forms of the whole Jiangxi Province.

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 Jiangxi Province from 2011 to 2016:

	For the year ended December 31,						CAGR
	2011	2012	2013	2014	2015	2016	(2011-2016)
	(in billions of RMB, unless otherwise indicated and except percentages)						
GDP (in billions of RMB)	1,170	1,295	1,441	1,571	1,672	1,850	9.6%
Per capita GDP (in RMB)	26,150	28,800	31,930	34,674	36,724	40,400	9.1%
Per capita disposable income of urban households (in RMB)	17,495	19,860	22,120	24,309	26,500	28,673	10.4%
Fixed asset investment (in billions of RMB)	875	1,038	1,243	1,468	1,699	1,938	17.2%
Total import and export volume of goods (in billions of US$)	31	33	37	43	43	40	5.0%

Source: NBS

CHINA'S BANKING INDUSTRY

Overview

China's banking industry has maintained its steady growth in the last decade, primarily driven by steady macroeconomic growth in China. From 2012 to 2017, aggregate loans and deposits of China's banking institutions grew at a CAGR of 13.3% and 12.4%, respectively. The table below sets forth information on the aggregate RMB- and foreign currency-denominated loans and deposits of China's banking institutions as of the dates indicated:

	As of December 31,						CAGR
	2012	2013	2014	2015	2016	2017	(2012-2017)
Renminbi and foreign currency-denominated bank loans (in billions of RMB)	67,287	76,633	86,787	99,346	112,055	125,607	13.3%
Renminbi and foreign currency-denominated bank deposits (in billions of RMB)	94,310	107,059	117,373	139,775	155,525	169,273	12.4%
Foreign currency-denominated bank loans (in billions of US$)	684	777	835	830	786	838	4.2%
Foreign currency-denominated bank deposits (in billions of US$)	406	439	573	627	712	791	14.2%

Source: PBoC

The table below sets forth certain information of financial institutions in the banking industry of China as of the dates or for the years indicated:

	As of and for the year ended December 31,						CAGR
	2012	2013	2014	2015	2016	2017	(2012-2017)
	(in billions of RMB, except percentages)						
Assets	133,622	151,355	172,336	199,345	232,253	252,404	13.6%
Liabilities	124,952	141,183	160,022	184,140	214,823	232,870	13.3%
Shareholders' equity	8,670	10,172	12,314	15,205	17,430	19,534	17.6%
Net profit	1,239	1,418	1,555	1,593	1,649	1,748	7.1%
NPL ratio	1.00%	1.00%	1.20%	1.70%	1.74%	1.74%	N/A

Source: CBRC

In the last decade, Large Commercial Banks, many Nationwide Joint-stock Commercial Banks and certain City Commercial Banks have improved their capital base, asset quality and profitability through capital market practices such as 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 as of and for the year ended December 31, 2016.

	Total assets			Total equity attributable to shareholders		Profit after tax	
	Number of institutions	Amount	Market share	Amount	Market share	Amount	Market share
	(in billions of RMB, except the number of institutions and percentages)						
Large Commercial Banks	5	86,598	37.29%	6,672	38.28%	879	42.40%
Nationwide Joint-stock Commercial Banks	12	43,473	18.72%	2,676	15.35%	353	17.05%
City commercial banks	134	28,238	12.16%	1,834	10.52%	224	10.83%
Rural cooperative financial institutions(1)	2,279	28,654	12.34%	2,023	11.60%	234	11.29%
Foreign banks	39	2,929	1.26%	372	2.13%	13	0.62%
Other banking institutions(2)	1,929	42,362	18.24%	3,853	22.11%	370	17.28%
Total	**4,398**	**232,253**	**100.0%**	**17,431**	**100.0%**	**2,073**	**100.0%**

Source: CBRC

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

(2) Comprise policy banks, private banks, Postal Savings Bank of China, new-type rural financial institutions (including village and township banks, rural financial corporations and rural mutual cooperatives) and other non-banking institutions (including financial asset management companies, Sino-German Bausparkasse, trust companies, group financial companies, financial leasing companies, money brokerage firms, auto finance companies, consumer finance companies).

City Commercial Banks

City commercial banks are banks with branches at the municipal or higher levels, established under the PRC Company Law and the PRC Commercial Banking Law from predecessor urban credit cooperatives with the approval of the CBRC. According to the CBRC's 2016 Annual Report, as of December 31, 2016, there were 134 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 small and micro enterprises. According to the CBRC, the total assets of city commercial banks as a percentage of total assets of the banking industry in China increased from 9.2%, or RMB12,347 billion, as of December 31, 2012 to 12.6%, or RMB31,722 billion, as of December 31, 2017, representing a CAGR of 20.8%, higher than other types of commercial banks. In addition, some city commercial banks have, in accordance with regulations issued by the CBRC, begun developing diversified business models, such as establishing consumer finance companies and financial leasing 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. The table below sets forth certain information relating to city commercial banks in China as of the dates and for the years indicated.

	As of and for the year ended December 31,						CAGR
	2012	2013	2014	2015	2016	2017	(2012-2017)
	(in billions of RMB, except percentages)						
Assets	12,347	15,178	18,084	22,680	28,238	31,722	20.8%
Liabilities	11,540	14,180	16,837	21,132	26,404	29,534	20.7%
Shareholders' equity	808	997	1,247	1,548	1,834	2,188	22.0%
Profit after tax	137	164	186	199	224	N/A	N/A
NPL ratio	0.80%	0.90%	1.20%	1.40%	1.48%	1.52%	N/A

Source: CBRC

JIANGXI PROVINCE'S BANKING INDUSTRY

The banking industry in Jiangxi Province has experienced rapid growth along with the development of Jiangxi Province's economy. According to the Jiangxi Statistical Yearbook published by the Statistical Bureau of Jiangxi, as of December 31, 2017, the total deposits and loans of the financial institutions in the banking industry of Jiangxi Province were RMB3,253.6 billion and RMB2,590.0 billion respectively, representing CAGRs of 14.1% and 18.5% as compared to December 31, 2012, 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 Jiangxi Province as of the dates indicated:

	As of December 31,						CAGR
	2012	2013	2014	2015	2016	2017	(2012-2017)
	(in billions of RMB, except percentages)						
Total deposits	1,683.9	1,958.3	2,175.5	2,504.3	2,910.5	3,253.6	14.1%
Total loans	1,108.0	1,311.2	1,569.7	1,856.1	2,184.7	2,590.0	18.5%

Source: CBRC

COMPETITIVE LANDSCAPE

As a city commercial bank based in Jiangxi Province, the Bank mainly competes with other commercial banking institutions with operations in Jiangxi Province. As of December 31, 2016, the Group's total assets, total deposits from customers, total loans to customers and total equity were RMB313,740.8 million, RMB191,137.8 million, RMB107,983.2 million and RMB21,172.3 million, respectively. In 2016, the Group's net profit was RMB1,677.9 million. According to PBoC, the Bank ranked first among all city commercial banks headquartered in Jiangxi Province in terms of total assets, total deposits from customers, total loans to customers and total shareholders' equity as of and for the year ended December 31, 2016.

The table below sets forth key performance indicators as compared to other three city commercial banks in Jiangxi Province as of and for the year ended December 31, 2016.

	As of and for the year ended December 31, 2016						
	Total outlets	Total assets	Total shareholders' equity	Operating income	Net profit	Total deposits	Total loans
	(in millions of RMB, except for the number of outlets)						
The Bank[(1)]	255	313,740.8	21,172.3	8,984.4	1,677.9	191,137.8	107,983.2
Bank of Jiujiang Co., Ltd.[(2)]	234	225,262.6	13,598.3	5,039.4	1,559.1	145,616.1	79,505.4
Bank of Ganzhou Co., Ltd.[(2)]	114	106,823.0	6,402.3	2,416.9	733.9	76,669.7	40,826.8
Bank of Shangrao Co., Ltd.[(2)]	118	85,525.3	5,421.7	2,390.1	629.9	56,130.2	27,530.2
Total	721	681,351.6	46,594.7	18,830.7	4,600.7	469,553.9	255,845.5

(1) Financial data are prepared in accordance with IFRS on a consolidated basis.

(2) Financial data are derived from the relevant bank's annual report for 2016.

INDUSTRY TRENDS AND BUSINESS DRIVERS

Deepening of the Interest Rate Liberalization

In the PRC, interest rates on RMB-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, as part of the government's efforts to reform the financial system to support its balanced and sustainable growth, China has implemented a series of initiatives to move towards market-based lending and deposits rates.

In July 2013, the PBoC abolished the floor rates for RMB-denominated loans (excluding interest rates on residential mortgage loans). In October 2015, the PBoC removed the cap on deposit interest rates for commercial banks. Effective May 1, 2015, The Deposit Insurance Regulations (《存款保險條例》) paved the way for a smooth establishment of a deposit insurance system in China which would thereby push ahead the liberalization of the interest rate mechanism.

Although the on-going interest rate liberalization may give banks greater flexibility in deciding lending and deposits rates, the overall impact of such scheme remains uncertain. The interest rate liberalization may intensify pricing competition in the PRC banking industry, which could reduce their net interest margins and profitability and affect their business performance and results of operations.

Enhanced Regulatory and Supervisory Scheme

In recent years, the CBIRC and other PRC regulatory authorities have promulgated a number of regulatory measures in an effort to enhance the regulation and supervision of the banking industry. These measures include:

- *Enhanced Supervision of Capital Adequacy*. In June 2012, the CBRC, a predecessor of the CBIRC, promulgated the Capital Administrative Measures, which require commercial banks to comply with Basel III capital adequacy requirements by the end of 2018 and meet phased-in targets during the transitional period.

- *Strengthened Risk Management*. In response to the international financial crisis in 2008, the CBRC, a predecessor of the CBIRC, promulgated risk management guidelines for commercial banks, including loan classification, risk evaluation and credit approval systems. Since 2016, the PBoC has adopted a Macro Prudential Assessment ("MPA") system, which requires PRC banking financial institutions to enhance control over various risks, including, among others, credit risk, liquidity risk and the risks relating to bond investment, interbank business, wealth management business, real estate industry, local government debt and Internet finance. Furthermore, in 2017, the PBoC began to include off-balance-sheet wealth management products into the MPA system, and urged financial institutions to enhance control over risks associated with off-balance-sheet businesses.

- *Increased Regulation of Credit Business*. CBRC, a predecessor of the CBIRC, promulgated regulations on the extension of credit to certain industries, including real estate, LGFVs and products, such as wealth management products and interbank products.

- *Improved Corporate Governance*. CBIRC encourages PRC banking institutions to establish modern corporate governance structures, including a board of directors with independent directors, an audit committee, a compensation and nomination committee and other special committees, and a board of supervisors. In addition, CBIRC requires banking institutions to maintain independent internal audit bodies. In 2017, the CBRC, a predecessor of the CBIRC, also promulgated regulations to enhance the effectiveness of regulatory supervision, preventing and reducing financial risks and maintaining the stability of the banking industry through an enhanced regulatory framework, elimination of the sources of risks, enhanced offsite and onsite inspections, heightened supervision of information disclosure, enhanced regulatory penalties and strengthened accountability systems.

In addition, on April 27, 2018, the PBoC, CBIRC, CSRC and SAFE jointly issued the Guidance on Regulating the Asset Management Business of Financial Institutions (關於規範金融機構資產管理業務的指導意見) (the "**April 27 Guideline**"). The April 27 Guideline prohibits financial institutions, including banks, to provide investors with guarantee, in any form, for principal and investment return in relation to wealth management products ("**Non Guarantee Requirements**"). In addition, the April 27 Guideline requires banks and other financial institutions to, among other things, manage the products by net value, regulate fund pools, reduce the risks of maturity mismatch, limit debt ratio of products, properly categorize underlying assets based on nature of assets, improve information disclosure and products sales and distribution management, and eliminate the practice of channels for multi-layer embedment ("**Other Requirements**"). Since the implementation of the Non Guarantee Requirements and Other Requirements, the types of products offered by banks have been restricted and there is a potential likelihood that the market demand for wealth management products will decrease. To ensure compliance with the Non Guarantee and Other Requirements, the Bank may need to increase its administrative expenses and other operating expenses for adjusting operation and management measures of relevant business.

Challenges, Competition and Opportunities Arising from Electronic Banking and Internet Finance

Banking services have a great potential to be transformed by internet technology by the inherent nature, as customers mainly make their decision based on convenience, efficiency and security of services, particularly when prices and interests being offered are similar among those from competing candidate banks or institutions. In recent years, banks around the world have heavily invested in adopting advanced electronic banking facilities and technologies to improve cost-efficiency of their offline offices and effective coverage of business network, enabling multi-screen and around-clock access of mobile and online banking services and enhancing data analytical capacity for improving risk management effectiveness.

However, as further penetration of internet technology covers more and more population and industries, traditional banks face ever increasing competition from non-banks that have commenced offering internet finance services, such as payment, wealth management, consumer finance, or even checking and savings, including technology giants, large-scale retailers, entities offering peer-to-peer financing products and online or mobile commercial platforms offering settlement services. Leveraging their competitiveness in technology capacity, databases of customers' transaction behavior and/or different regulatory regimes, these enterprises proactively proceed with technology and business model innovation services to take over more and more of the bank value chain, including those core areas that are key source of bank revenues. In particular, they are successful in offering efficient and convenient financial products and services towards customers unserved or under-served by traditional banks due to restrains in their technology capacity and risk management policies. As a result, these new entrants have successfully competed against traditional banks in terms of rising service expectations and creating distance between banks and their customers, consigning traditional banks to a limited role as back-office utilities in many cases, which further causing intensified competition for traditional banks to achieve profitable fee- and commission-based products and services.

Furthermore, many technology giants and large-scale retailers managed to establish their own banking institutions upon obtaining approval, imposing a more direct and full-fledged competition against existing traditional banks. Capitalizing on its broad coverage and deep penetration of service network, these new banks may achieve rapid growth in a short period of time and quickly establish strong competitive edges against existing traditional banks.

To better cope with these challenges brought up by evolving business and finance industry landscape, many traditional banks undertook active approaches to move further into the commercial lives of their customers to play a greater role not just at the moment of financial transactions but before and afterwards as well. Leveraging customer bases and transactional data, including those that traditional banks may have unique access or coverage due to highly regulatory nature of banking industry or their long-term service relationship, their capacity of offering full-fledged banking services, knowledge and in-depth insight in regulatory development in banking and financing industry, many traditional banks have successfully developed innovative tools and services to chip in different transaction scenarios that customers encounter in their daily life and improve frequency and willingness of customers to choose banks' services. As a result, many banks managed to steadily transform the focus of their business into service oriented model, matching one of the very core values of internet philosophy. In addition, traditional banks took initiatives to establish cooperative relationship with technology giants, online commercial conglomerates, and large-scale retailers to share customer access and financing capacity, through which, they seek to achieve quick improvement in technology capability and access to large pools of potential customers.

Increasingly Important Role of City Commercial Banks in China

Unlike large commercial banks and nationwide joint-stock commercial banks, city commercial banks are generally permitted to provide banking services only within certain geographic regions. Guided by policies issued by relevant regulatory authorities, city commercial banks should continue to pursue differentiation and unique development strategies, take full advantage of their "small, quick and flexible" features, and focus on providing a wider range of financial services to small and micro enterprises together with urban and rural residents in the local areas.

In recent years, certain city commercial banks have initiated programs including restructuring, introducing of strategic investors, or initial public offerings so as to strengthen their capital base. In addition, some city commercial banks have, in accordance with regulations issued by the CBRC, begun developing diversified operations business models, for example establishing consumer finance companies and financial leasing companies.

Increasing Importance of Banking Services to Small and Micro Enterprises

A huge number of small and micro enterprises in China have been playing an increasingly significant role in the economic growth. To better facilitate the development of small and micro enterprises and meet their financing demands, the State Council, the PBoC and the CBRC have taken measures to encourage financial institutions to offer innovative financial products and credit services to them. These include the following:

- ***Broader coverage and higher-quality services.*** Commercial banks are encouraged to expand their distribution networks and scale their business by launching more kinds of products, which could target more small and micro enterprises. In addition, they are encouraged to improve their service quality;

- ***Lower reserve ratio.*** To increase the liquidity of commercial banks and encourage the extension of credit to micro and small enterprises, effective from June 14, 2014, the PBoC lowered the RMB deposit reserve ratio by an additional 0.5% for commercial banks that meet specific operating requirements and have extended a specified percentage of loans to borrowers in the "agricultural industry" sector or micro and small enterprises; and

- ***Tailor-made products.*** The CBRC encourages banking institutions to put more efforts in designing tailor-made financial products that specifically meet small and micro enterprises' financing needs, for example, adjusting the maturity of the products that matches the cash flow of small and micro enterprises.

In January 2016, the State Council issued the Plan for Promoting Inclusive Finance (2016-2020) (推進普惠金融發展規劃 (2016-2020年)), encouraging large banks to accelerate the establishment of specialized institutions for small and micro enterprises and supporting the registration and issuance of small and micro enterprises bonds by commercial banks to increase their financing sources. With commercial banks' focus and the constant support from favorable government policies, it is expected that banking services for small and micro enterprises will become more crucial in the overall banking business in China.

Increasing Demands for Personal Finance

With the rapid growth of the PRC economy, the per capita income of domestic residents in China has been increasing in the past three decades. According to the NBS, urban households' per capita disposable income increased from RMB24,565 in 2012 to RMB36,396 in 2017, at a CAGR of 8.2%, which indicates the growing consumption of domestic residents.

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

	For the year ended December 31,						CAGR
	2012	2013	2014	2015	2016	2017	(2012-2017)
Per capita disposable income of urban households (RMB)	24,565	26,955	28,844	31,195	33,616	36,396	8.2%
Total amount of RMB-denominated deposits of urban and rural households (in billions of RMB)	39,955	44,760	48,526	54,607	59,775	64,377	10.0%
Total amount of domestic personal RMB-denominated loans (in billions of RMB)	16,131	19,850	23,141	27,021	33,361	40,505	20.2%
As a percentage of total domestic loans	25.7%	27.7%	28.4%	28.8%	31.3%	33.7%	N/A

Source: NBS, National Economic and Social Development Statistics Bulletin and PBoC

As a result of accumulated personal wealth of domestic residents and growing disposable income of urban and rural households, PRC customers have been looking for more diversified personal financial products and services. Such trend has thereby become a major driving force for PRC commercial banks' growth.

Following such trend, PRC commercial banks have begun offering personalized and customized products and services for a growing number of mid- and high-end customers, for instance, wealth management products, asset management services and private banking services, to meet their diversified wealth managing demands.

According to the 2016 China Wealth Report, jointly issued by Boston Consulting Group and China Industrial Bank, from 2015 to 2020, the investable financial assets of high net worth individuals (HNWIs) are forecasted to increase at an average annual rate of 15%, significantly higher than the projected GDP growth rate of 6.5% in China over the same period. With such an expanding class of wealthy individuals and growing demands for wealth management services, it is expected that personal finance business provided by commercial banks will continue to grow in the PRC banking industry.

The Development of Venture Lending Brings More Opportunities for Commercial Banks

Restricted by PRC Commercial Banks Law (《中華人民共和國商業銀行法》), commercial banks are generally not allowed to make any equity investments in non-bank financial institutions and enterprises. However, as the equity financing for enterprises has become growingly popular and important in recent years, commercial banks' traditional business model of deposit and loan services has no longer been able to satisfy the corporate banking customers' various financing needs.

In April 2016, the CBRC, the Ministry of Science and Technology and PBoC jointly issued the Guidance Opinion on Supporting Banking Financial Institutions Making Venture Lending in Science and Technology Innovation Start-up Companies (Yinjianfa [2016] 14) (《關於支持銀行業金融機構加大創新力度開展科創企業投貸聯動試點的指導意見》 (銀監發 (2016)14 號)), which approves a pilot program to allow certain commercial banks to explore innovative investment model in which a commercial bank extends loans to, while its subsidiaries which have investing functions, make equity investments in science and technology innovation start-up companies.

It is expected that commercial banks are going to benefit from such innovative investment model through which they are able to share the benefits of the growth of start-up companies while at the same time supporting the companies' development. In addition, by cooperating with investment companies which have extensive experience in investing, commercial banks are able to identify and control risks more effectively. Overall, such innovative investment model will provide the commercial banks with broader investing channels and greater investing flexibility, which will thereby upgrade their traditional business operations and enable them to become more competitive in the financial markets.

Impact of the Development of China's Capital Market

In recent years, China's capital market has undergone significant reforms, including reforms of asset-backed securities, corporate bonds and privately placed bonds, as well as the launch of the Shanghai-Hong Kong Stock Connect Scheme, Shenzhen-Hong Kong Stock Connect Scheme and the Mainland-Hong Kong Mutual Recognition of Funds Arrangement. These developments could have an adverse impact on the core businesses of banks in China. For example, the expansion of China's debt capital markets may allow companies to borrow at lower costs by issuing bonds, which could affect the lending business of banks.

At the same time, the development of China's capital markets enables commercial banks to diversify their investment portfolios and broaden their product and service offerings. For example, commercial banks may offer customers additional financial products and services, including investment banking, mutual funds and other products with higher investment yields, such as asset-backed securities and interbank deposits. This could lead to an expansion of the fee-based and commission-based businesses of commercial banks.

Business Drivers of the Bank

Taken into account the above mentioned trends of the PRC banking industry, the Bank is of the view that its business has been, and is expected to be driven by the following key factors:

- **Economic growth in China and Jiangxi province**. The Bank's business expansion is affected by the market demands for its financial products and services which in turn, is driven by general economic condition in China, particularly, regions where the Bank established its business network. In recent years, while China economy steps into "new normal" featured with slow-down in growth rate and industry restructuring, Jiangxi province, where the Group's business concentrates, experienced rapid expansion, primarily due to, among other things, favorable and supportive government initiatives and policies. In addition, local economy in Pearl River Delta and Yangtze River Delta kept growing, bringing positive impact to business operation results of the Bank's Guangzhou and Suzhou branch. The Bank is of the view that economy in these regions, particularly, Jiangxi province, will keep growing in the near future, resulting in expected continuous increase in market demands for the Banks' products and services under its corporate banking, retailing banking and financial market businesses. Please also see the section headed "Business – The Group's Competitive Strengths" and "Risk Factors – If the Group is unable to effectively maintain the quality and growth of its assets and overall business, the Group's financial condition and results of operations may be materially and adversely affected".

- **Market demands for financial market business products and services**. During the Track Record Period, the Group undertook financial market business to effectively reduce its reliance on traditional banking business and optimize its asset allocation for improved profitability in response to challenges from continuous development of interest rate liberalization and narrowing interest spread in China. While the PRC regulatory authorities implemented various rules and regulations governing development of banks' participation in financial market products and services, particularly, trust plans, asset management plans and wealth management products, it is expected that financial market business will continue to be one of the key components of the Bank's business operation. The Bank plans to take cautious approach in its business expansion in this respect to achieve balance between effective risk control and optimization of profitability.

- **Product Innovation and Service Improvement**. The Bank is of the view that innovation in products and services driven by advanced technology and increasing competition is one of the key drivers for its business development. During the Track Record Period, it invested in development and utilization of technologies to improve its product design and service quality and cooperation with large-scale enterprises with strong internet technology capacity and innovative financial business model in launching various products and services, as a result of which, the Bank achieved improved customers' loyalty and profitability. For details, please see the section "Business – The Group's Competitive Strengths". The Bank expects to continuously devote itself in this regard to enhance its market position and keep drive the growth of its business.

OVERVIEW

The banking industry in the PRC is highly regulated. The principal regulatory authorities of the PRC banking industry include CBIRC and PBoC. CBIRC 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 applicable laws and regulations relating to the PRC banking industry are the PRC Commercial Banking Law, the PRC PBoC Law, the PRC Banking Supervision and Regulatory Law, and relevant regulations, rules and normative documents established thereunder.

PRINCIPAL REGULATORS

CBIRC

Functions and Powers

CBIRC is the principal regulatory authority for financial institutions of the banking industry 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, policy banks, as well as certain non-banking financial institutions. CBIRC 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.

Examination and Supervision

CBIRC, through its headquarters in Beijing and its bureaus throughout the PRC, monitors the operations of banks and their operating agencies by way of on-site examinations and off-site monitoring.

On-site examinations generally include inspecting the business premises and electronic data systems of banks, interviewing their employees, senior management and directors for an explanation of significant issues relating to operations and risk management, as well as reviewing relevant documents and data maintained by the banks. Off-site monitoring generally includes reviewing business reports, financial statements and other reports periodically submitted by banks to the CBIRC.

If a banking financial institution is not in compliance with relevant banking regulations, the CBIRC 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, distributions in other forms, and transfer of assets, demanding the transfer of equity interest held by controlling shareholders or limiting the exercise of such shareholders' rights, demanding the change of directors or senior management or limiting their rights, and withholding the approval for the opening of new operating agencies. In extreme cases, if a commercial bank fails to take corrective action within the time period specified by the CBIRC, the CBIRC may order the banking institution to suspend operations and revoke its business license. In the event of existing or potential credit crisis within a banking institution, which may materially impact the rights and interest of depositors and other customers, the CBIRC 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.

On August 15, 2013, the State Council issued the Reply on the Establishment of the Inter-departmental Coordination Joint Meeting System for Financial Supervision (《關於同意建立金融監管協調部際聯席會議制度的批覆》), pursuant to which, the PBoC will preside over the joint meetings, with key members including China Banking Regulatory Authority, CSRC and SAFE. Relevant departments such as NDRC and MOF may be invited to attend the joint meetings, where necessary.

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, CSRC, MOF, NAO, NDRC, SAT and State Administration for Market Regulation and their local offices.

LICENSING REQUIREMENTS

Basic Requirements

The establishment of a city commercial bank requires the approval and issuance of a business license by CBIRC.

Based on current regulatory requirements, in general, CBIRC will not approve an application to establish a city commercial bank unless certain conditions are satisfied, including but not limited to: the articles of association must be in compliance with the relevant requirements of the PRC Company Law and the PRC Commercial Banking Law; the minimum required registered capital under the PRC Commercial Banking Law, which is RMB100 million for a city commercial bank, has been fully paid; the directors and senior management of the proposed city commercial bank possess the requisite qualifications and the proposed city commercial bank has qualified practitioners who are familiar with the banking business; sound and effective organizational structure and management system must be established; its business premises, safety and security measures and other facilities must satisfy the needs of the business operation; an information technology structure which satisfies the needs of the business operation has been set up, together with an information technology system supporting the business operation which is safe and in compliance with the relevant laws and regulations, and the technologies and measures to ensure the effectiveness and safety are in place of the system.

Significant Changes

City commercial banks are required to obtain approval from CBIRC or its branches to undergo any significant changes, including: establishment, promotion or closure of branches or sub-branches; change of the name of headquarters, branches or sub-branches; change of registered capital; change of domicile of headquarters, branches or sub-branches; change of business scope; change of form of organization; change of shareholders holding more than 5% of the bank's total capital or shares; approval of qualifications of directors and senior management; investments in the equity interest in a bank by an overseas financial organization; investment in the establishment of, participation in the share capital of and acquisition of domestic legal person financial institutions or overseas entities; amendments to the articles of association; merger or division; dissolution and bankruptcy.

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 making payment as agents and acting as insurance agents; providing safe deposit box service; other businesses approved by the banking regulatory authorities under the State Council.

Subject to approval by or making of filings with PBoC and SAFE, commercial banks may engage in settlement and sales of foreign exchange.

Establishment of Branches

To establish a branch in the province (or autonomous region or direct-controlled municipality) of domicile of the legal person, a city commercial bank must apply to the relevant local office of the CBIRC for approval and issuance of a financial license. To establish a branch or sub-branch outside the province (or autonomous region or direct-controlled municipality) of domicile of the legal person, a city commercial bank must obtain approval from the CBIRC. Opinions on Adjusting the Market Access Policies for Branches of 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 a "Three-Step" Principle for a city commercial bank to establish business outlets outside the province (or autonomous region or direct-controlled municipality) of domicile of the legal person, namely first within the home province before extending to other provinces, first within the local economic region before extending to other economic regions, and finally, countrywide expansion.

REGULATIONS ON PRINCIPAL COMMERCIAL BANKING ACTIVITIES

Lending

The CBIRC and other relevant authorities have issued certain laws, regulations and guidelines concerning loans and credit granted. Set out below is a summary of some of the rules, regulations and guidelines:

- On August 30, 2004, 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》) were issued. According to the Guidelines, a commercial bank shall set risk policies on real estate loans. No commercial banks are allowed to grant land reserve loans to any borrower whose capital is not fully contributed or is seriously insufficient or whose operations or management is irregular, or grant any form of loans to real estate projects without state-owned land use permit, Construction Land Use Planning Permit, Construction Planning Permit and Construction Works Commencement Permit.
- On July 18, 2009, the Guidelines on Project Financing Business (《項目融資業務指引》) were issued. According to the Guidelines, banking financial institutions should require that those project assets and/or projected earnings or other rights of the project (which satisfy the conditions for being pledged) are pledged as security for project finance loans, and if necessary, the pledging of the equity interest of the project sponsor in the project company as guarantee for the loans. Moreover, the banking financial institutions should require that they be the first claimants in line for the commercial insurance taken out for the projects, or take other measures to effectively control the rights arising from the insurance indemnities. Banking financial institutions should designate a special account for borrowers to deposit all revenues from the financed projects, monitor the account, and in case of any abnormal changes in the account, investigate promptly and take appropriate measures.

- On December 22, 2009, the PBoC, China Banking Regulatory Authority and other financial regulatory authorities jointly issued the Guiding Opinions on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Certain Industries through Financial Services (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》), which specify that credit guarantee and funds should be timely and efficiently provided for enterprises and projects that meet the requirements of the national plan for the adjustment and revitalization of key industries, meet market entry requirements and comply with the banks' lending principle; for projects that do not comply with national industry policies, market entry requirements and technical standards, and which do not have sufficient funds, credit should not be extended. Strict examination and approval should be conducted before loans are granted to the projects in industries with overcapacity.
- On February 12, 2010, the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》) were issued. According to the Measures, commercial banks should reasonably estimate the working capital needs of borrowers and prudently confirm the total credit of liquidity and the specific loan limit, and should not grant liquidity loans which are greater than the actual needs of the borrowers. Commercial banks should specify with the borrowers express and lawful use of loans. Working capital loans should not be used for fixed asset investment or equity investment or for areas or purposes where production or operation is expressly prohibited by the state.
- On February 12, 2010, the Interim Measures for the Administration of Personal Loans (《個人貸款管理暫行辦法》) were issued. According to the Measures, the loan contract for personal loans should specify the use of loans, and commercial banks are prohibited from extending personal loans without designated use.
- On June 4, 2010, the Guidelines for Commercial Banks on the Risk Management on Credit Extension to Group Clients (《商業銀行集團客戶授信業務風險管理指引》) were issued. According to the Guidelines, the credit balance of a commercial bank to a single group borrower should not exceed 15% of the commercial bank's net capital. Otherwise, the commercial bank will be considered to have exceeded its risk bearing ability. In such situation, the commercial bank should take measures to diversify risks through syndication of loans, loan participation and transfer of loans. In line with prudent supervision requirements, China Banking Regulatory Authority may lower the ratio of credit balance of any commercial bank to a single group borrower to the commercial bank's net capital.
- On July 23, 2010, the Interim Measures for the Administration of Fixed Asset Loans (《固定資產貸款管理暫行辦法》) were issued, requiring commercial banks on one hand 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, and on the other hand, to strengthen the management of the use of loan proceeds and improve the management of granting and repayment of loans in accordance with laws. Furthermore, the Measures require commercial banks 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.
- On September 29, 2010, the Notice of the PBoC and the CBRC on Issues concerning the Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀監會關於完善差別化住房信貸政策有關問題的通知》) was issued, requiring commercial banks to suspend the extension of housing loans to families who purchase third or more residential properties or to non-local residents who are unable to provide payment records of local tax or social security over one year. With respect to a first-time buyer of any commercial residential property, the minimum down payment ratio shall not be lower than 30%, while the minimum down payment for home buyers purchasing a second residential property is not less than 50%, and the interest rate should be no less than 1.1 times of the benchmark interest rates on loans.
- On February 24, 2012, the Notice of CBRC on the Publication and Distribution of Green Credit Guidelines (《中國銀監會關於印發綠色信貸指引的通知》) was issued, requiring banking institutions to effectively identify, measure, monitor and control environmental and social risks in the course of their credit business, and to establish the relevant risk exposure management systems. Banks are also required to explicitly declare their support for green credit, formulate specific guidelines for granting credit facility to restricted industries and industries with material environmental and social risks, carry out flexible differentiated credit granting policies, and implement risk management systems.
- On September 17, 2012, the Administrative Measures for Loans to Rural Households (《農戶貸款管理辦法》) were issued. The Measures encourage rural financial institutions and banking financial institutions which extend loans to rural households to develop agricultural-related loan business, formulate relevant business strategies and enhance rural households' ability to control loan-related risks. It is also stipulated that loans to rural households shall be used in compliance with laws and regulations and related national policies, and banking financial institutions shall not offer loans to rural households who fail to specify the use of such loans.

- On February 26, 2013, the General Office of the State Council issued the Notice of the General Office of the State Council on Further Improvement in the Market Regulation and Control of Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》), which prohibits commercial banks from offering loans for new development projects to real estate developers who are engaged in illegal activities such as possession of idle land, land speculation, hoarding of properties and driving up of prices.
- On April 9, 2013, the Guiding Opinions on Strengthening the Risk Control and Management of Loans to Local Government Financing Platforms in 2013 (《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》) were issued, requiring the banks to impose aggregate lending limits on local government financing platform companies ("LGFPCs") and banking financial institution legal persons should not expand the scale of lending of LGFPCs, and also provide that, for the LGFPCs 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 all LGFPCs should not exceed that of the previous year, and that the bank should take measures to gradually reduce the granting of loans and step up efforts to collect such loans.
- On September 21, 2014, the State Council issued 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》), stipulating that financial institutions should not provide financing to or seek guarantees from local governments in violation of applicable laws or regulations. Subscription of bonds issued by local governments by financial institutions should be in compliance with regulatory requirements. When providing financing to governments or enterprises whose debt may become the government's contingent liabilities should strictly regulate credit management by enhancing risk identification and risk management. Financial institutions shall bear all losses incurred as a result of providing financing to governments in violation of applicable laws or regulations. The Circular on Properly Resolving Subsequent Financing Issues of the On-going Projects of LGFVs was forwarded by the General Office of the State Council on May 11, 2015 and came into force on the same day, requiring local governments at all levels and banking financial institutions to support the existing financing needs of on-going projects of LGFPCs to ensure their orderly development with the objective of "controlling the total amount and providing tailored treatment". For loans of on-going projects of LGFPCs, banking financial institutions should independently determine, independently bear risks and to improve the management of loans based on prudent estimation of the repayment ability of LGFPCs and the revenue from on-going projects of the LGFPCs and also consider the repayment ability of the local government. Banking financial institutions should exercise caution when reviewing where loans are extended and focus on supporting irrigation and water conservancy facilities, affordable housing projects, urban rail transit and other areas of on-going projects of LGFPCs, to ensure that the loans are in line with industrial development needs and industrial park development plans.
- On September 29, 2014, the Notice on Issues concerning the Further Improvement of Housing Financial Services (《關於進一步做好住房金融服務工作的通知》) was issued, setting the minimum down payment ratio at 30% and the minimum interest rate at 0.7 times the PBoC benchmark interest rates for loans to a first-time home buyer for self-use, with the specific terms to be independently determined by banking institutions in accordance with the risk profiles. Banking institutions should apply the policies for first homebuyers to families who already own a residential property, 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. In cities that have cancelled or have not imposed property purchase restrictions, for families that own two or more residential properties, have repaid in full all relevant loans and apply 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 repayment ability and credit standing.
- On February 10, 2015, the latest revised Guidelines on Risk Management for Acquisition Financing by Commercial Banks (《商業銀行併購貸款風險管理指引》) were issued. According to the Guideline, the total balance of acquisition financing of commercial banks shall not exceed 50% of their net tier-one capital in the same period; the balance of commercial banks' acquisition financing to single borrowers shall not exceed 5% of their net tier-one capital in the same period; and the proportion of acquisition financing to the consideration of M&A transactions shall not exceed 60%. The term of acquisition financing shall not exceed 7 years.
- On March 30, 2015, 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》) was issued, providing that if a household owns one residential property but has not fully repaid the corresponding mortgage loan and then applies for a commercial housing loan to purchase an ordinary residential property to improve living conditions, the minimum down payment ratio shall be adjusted to not less than 40%. The specific amount of the down payment and interest rate shall be determined by the relevant banking institutions based on factors including the credit standing and solvency of the borrowers.

- On September 24, 2015, the Notice of the PBoC and CBRC on Issues concerning the Further Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀監會關於進一步完善差別化住房信貸政策有關問題的通知》) was issued, stating that for personal commercial housing loans provided to families for the first-time purchase of ordinary housing, the minimum down payment ratio shall be adjusted to not less than 25% in cities that have not imposed property purchase restriction policies.
- On February 1, 2016, the Notice of the PBoC and CBRC on Issues concerning the Adjustment on Residential Mortgage Loan Policies (《中國人民銀行、中國銀監會關於調整個人住房貸款政策有關問題的通知》) was issued, requiring that in cities that have not imposed property purchase restriction policies, the minimum down payment ratio for personal commercial housing loans provided to families for the first-time purchase of ordinary housing shall in principle be 25%, which may be adjusted downwards locally by 5 percentage points. The minimum down payment ratio shall be adjusted to no less than 30% for households possessing one residential property with outstanding loans but applying for more commercial housing loans to purchase ordinary housing to improve living conditions. In cities that have imposed property purchase restriction policies, the residential mortgage loan policies shall be carried out in accordance with the existing stipulations.

The CBIRC has also issued relevant guidelines and measures to control risks relating to the loans to Related Parties. See "– Corporate Governance and Internal Controls – Related Party Transactions".

Entrusted Loan Business

On January 5, 2018, the Administrative Measures of Entrusted Loans for Commercial Banks (《商業銀行委託貸款管理辦法》) were issued, confirming that (i) entrusted loan business is an entrusted agency business of commercial banks. As trustees, commercial banks should provide services pursuant to the principle of powers matching obligations and interests but are prohibited from determining borrowers on behalf of principals, involving in lending decision and providing guarantees in any forms; (ii) commercial banks cannot use funds under entrusted management from other person, funds from bank lending, all kinds of special funds with specific uses, other debt funds and funds from other sources that cannot be identified to issue entrusted loans; (iii) funds shall not be used for manufacturing, operating or investing in areas and for purposes that are explicitly prohibited by the State, shall not be used for investing in bonds, futures, financial derivatives and asset management products, shall not be used as registered capital and registered capital verification, and shall not be used for investing in equity capital or increasing registered capital; and (iv) commercial banks are required to strictly distinguish between entrusted loan business and its own business to strengthen the isolation of risks and business management. Commercial banks shall establish and improve the information system of entrusted loan business management, to ensure the completeness, continuity, accuracy and traceability of the information for such business.

Foreign Exchange Business

Commercial banks are required to obtain approvals or filings from PBoC, SAFE, CBIRC or their branches to conduct foreign exchange businesses. Under the PRC's anti-money laundering laws and regulations, PRC financial institutions are required to report to the Anti-money Laundering Monitoring and Analysis Center any large or suspicious foreign exchange transactions which they handle or discover on a timely basis.

Securities and Assets Management Business

Generally speaking, PRC commercial banks are not allowed to engage in equity security trading and underwriting business. However, they are allowed to:

- Underwrite, buy and sell government bonds, bonds issued by financial institutions and commercial bonds issued by qualified non-financial institutions;
- Act as an agent for securities trading (including bonds issued by the PRC Government, financial institutions and other corporate entities);
- Offer comprehensive asset management and consultancy service to institutions and retail investors;
- Act as a financial advisor to large infrastructure projects, acquisitions and bankruptcy restructuring;
- Act as the trustee for funds such as securities investment funds and enterprise annuity funds.

On April 2, 2013, the Management Measures for Custody of Securities Investment Funds were issued, providing that a commercial bank may, with approval, engage in custodian business for securities investment funds, if, (i) such commercial bank has year-end net assets of no less than RMB2 billion for the most recent three fiscal years and if its risk control indicators such as capital adequacy ratio meet the relevant regulatory requirements; (ii) the proposed senior managers of its fund custody department meet the legal requirements; the practitioners who have obtained the qualification as fund practitioners shall be no less than half of the total staff members of the department; the number of its qualified fund practitioners proposed to engage in clearing, accounting, investment oversight, information disclosure, internal audit and monitoring and other relevant businesses shall be no less than eight, among which, the personnel holding core positions, such as accounting and oversight, shall have at least two years' experience in the custody services; (iii) other requirements provided for by relevant laws or administrative regulations and other conditions stipulated by the CSRC and China Banking Regulatory Authority that are approved by the State Council.

On April 27, 2018, the PBoC, CBIRC, CSRC and SAFE jointly issued the Guidelines on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》), which defines the asset management business as financial services provided by banks, trust, securities, funds, futures, insurance asset management agencies, financial asset investment companies and other financial institutions commissioned by investors to invest in and manage the entrusted property owned by the investors. The Guidelines mainly provides that, including but not limited to, (i) asset management products include but not limited to non-principal protected wealth management products in RMB or foreign currencies issued by banks, fund trust as well as asset management products issued by securities companies and their subsidiaries, fund management companies and their subsidiaries, futures companies and their subsidiaries, insurance asset management agencies and financial asset investment companies, etc.; (ii) the investment of fixed-income products in deposits, bonds and other debt assets shall not be less than 80%; the investment of equity products in stocks, equity of unlisted companies and other equity assets shall not be less than 80%; the investment of commodities and financial derivatives products in commodities and financial derivatives shall not be less than 80%; and hybrid products shall be invested in debt assets, equity assets as well as commodities and financial derivatives assets, and any of such assets has not met the standards for the above three types of products; (iii) the investors of asset management products are divided into two main categories, i.e. non-specific social public and qualified investors. Qualified investors are natural and legal persons or other organizations that possess corresponding risk identification and tolerance capabilities, invest in a single asset management product not less than a certain amount and meet the following conditions; (iv) financial institutions which carry out asset management business shall have in place the appropriate management systems and management mechanism corresponding to the development of asset management business, good corporate governance and sound risk management, internal control and accountability regime; (v) financial institutions which apply entrusted funds for investment shall abide by the prudent operation rules and formulate scientific and reasonable investment strategies and risk management system to effectively prevent and control risks; (vi) financial institutions which act as sales agents for asset management products issued by other financial institutions shall comply with the qualification criteria stipulated by the financial regulatory and administrative authorities. Without the permission of the financial regulatory and administrative authorities, no non-financial institution or individual may engage in agency sales of asset management products.

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 the CIRC. On November 1, 2010, the Notice of the CBRC on Further Strengthening Compliant Sales and Risk Management of Commercial Bank's Bancassurance Business (《中國銀監會關於進一步加強商業銀行代理保險業務合規銷售與風險管理的通知》) was issued, which stipulates that each outlet of a commercial bank may, in principle, cooperate with no more than three insurance companies in a fiscal 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. On April 25, 2016 the CIRC issued the Notice of the CIRC on the Issues Relating to the Administrative Permits of Banks Engaging in Insurance Agency Business (《中國保監會關於銀行類保險兼業代理機構行政許可有關事項的通知》), which stipulates that upon the obtaining of the licenses for insurance agency business by the banking institutions, outlets of banking institutions may provide insurance agency services based on the authorization of legal entities.

Wealth Management

On September 24, 2005, the Interim Measures on Administration of the Personal Wealth Management Services of Commercial Banks (《商業銀行個人理財業務管理暫行辦法》) was issued, which requires the implementation of an approval system and reporting system when conducting personal wealth management business, and stipulates that the approval of China Banking Regulatory Authority is required for the offering by commercial banks of wealth management plans with guaranteed returns, new investment products with guaranteed returns designed for conducting personal wealth management business and certain other personal wealth management products business which require the approval of China Banking Regulatory Authority. The conducting of other personal wealth management business activities which do not require prior approval shall also be reported to China Banking Regulatory Authority or its local offices.

In addition to domestic wealth management business, the Interim Administrative Measures for Commercial Banks to Provide Overseas Financial Management Services was issued on April 17, 2006, which permitted commercial banks which have obtained licenses to make overseas investments with funds from investors, to invest in specified overseas financial products on behalf of domestic institutions and individuals.

On March 25, 2013, the Notice of the CBRC on Standardizing Certain Issues related to the Investment Operation of Wealth Management Business of Commercial Banks (《中國銀監會關於規範商業銀行理財業務投資運作有關問題的通知》) was issued, requiring that commercial banks should achieve a connection between each wealth management product and the investment assets (the subject matter), and that at any time, the balance of wealth management funds that invested in non-standard debt assets of a commercial bank should not exceed (i) 35% of the balance of their wealth management products, or (ii) 4% of its total assets disclosed in the auditors' report for the last year, whichever is lower.

Bills Business

Under the PRC Commercial Banking Law, commercial banks engaged in settlement business, including the acceptance on bills, foreign exchange services and entrusted fund collection, should honor checks and credit accounts in accordance with the required timeframes and shall not cumulate orders or checks or dishonor checks in violation of requirements. The prescribed terms for honoring checks and the timing for crediting of accounts should be published.

Interbank Business

On April 24, 2014, financial industry regulatory authorities including the PBoC jointly issued the Circular on Regulating Inter-bank Businesses of Financial Institutions (《關於規範金融機構同業業務的通知》), which sets out certain requirements in connection with the regulation of inter-bank business operations.

- the Circular defines and regulates interbank financing businesses and interbank investment business, including interbank lending, interbank deposits, interbank borrowing, interbank payments, financial assets held under resale agreements (financial assets sold under repurchase agreements); and the Circular also requires 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 such classification;
- financial assets held under resale agreements (financial assets sold under repurchase agreements) should 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;
- financial institutions that engage in the business of financial assets held under resale agreements (financial assets sold under repurchase agreements) and inter-bank 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;
- interbank investments of financial institutions should accurately measure risks and set aside capital and make provisions pursuant to the principle of "substance over form" and according to the nature of the underlying assets invested;
- financial institutions engaging in interbank businesses should determine the term of financing in a reasonable and prudent manner. The term of interbank borrowings may not exceed three years and the term of other interbank financings should not exceed one year, and such terms may not be extended upon their maturity;
- the net interbank financing volume (excluding interbank deposits for settlement purposes) from a commercial bank to another legal entity financial institution after deducting assets with zero risk weighted financial assets should not exceed 50% of the bank's tier-one capital; and the net balance of interbank funds borrowed by a single commercial bank may not exceed one third of its total liabilities. Such provisions have currently not been implemented for provincial rural credit cooperatives, provincial level second-level rural credit cooperatives with legal person status and village and township banks;
- financial institutions engaging in interbank businesses should establish a sound risk management system and internal control system and adopt proper accounting treatment methodology.

Business between Banks and Trust Companies

On August 5, 2010, the *Notice of CBRC on the Regulation of Relevant Matters for the Wealth Management Cooperation Business between Banks and Trust Companies* (《中國銀監會關於規範銀信理財合作業務有關事項的通知》) was issued, which required commercial banks and trust companies to comply with the following principles in conducting the financing-oriented wealth management cooperation business between banks and trust companies: (i) headroom management shall be implemented on trust companies for their financing-oriented wealth management cooperation business between banks and trust companies, i.e., the balance of the financing-oriented business as a percentage of the balance of the wealth management cooperation business between banks and trust companies shall not exceed 30%, (ii) trust products under trust companies shall not be designed as open-ended. In addition, commercial banks shall reclassify the off-balance sheet assets to on-balance sheet in 2010 and 2011 in strict accordance with the requirements, and shall make provision according to the provision coverage ratio of 150%. Meanwhile, large banks and small and medium banks shall make provision according to the capital adequacy ratio of 11.5% and 10%, respectively.

On January 13, 2011, the *Notice on Further Regulation of the Wealth Management Cooperation Business between Banks and Trust Companies* (《關於進一步規範銀信理財合作業務的通知》) was issued, which required commercial banks to transfer the off-balance sheet assets of the wealth management cooperation business between banks and trust companies into the on-balance sheet assets by the end of 2011, and to report the asset transfer plan to the CBRC or its provincial dispatched agencies by January 31, 2011. In principle, the balance of loan from cooperation between banks and trust companies shall be reduced at the percentage of at least 25% quarterly. It shall make risk provision at the percentage of 10.5% for the entrusted loan from cooperation between banks and trust companies without transferring to the balance sheet.

On November 22, 2017, the *Notice of the CBRC on the Regulation of the Business between Banks and Trust Companies* (《中國銀監會關於規範銀信類業務的通知》) was promulgated, which required that commercial banks shall (i) incorporate the business for which commercial banks actually bear risks into unified credit management and implement credit concentration regulation measures pursuant to the principle of substance over form in the business between banks and trust companies; (ii) categorize the business between banks and trust companies which they actually bear credit risks, categorize the risks based on the risk profile of underlying assets and make provisions based on the nature of underlying assets under penetrating management requirements; (iii) regarding banks and trust companies channel business, restore the nature of business and manage and control risks, and shall not conceal the nature of risk by utilizing trust channel nor evade the regulatory requirements for funds investment, assets classification, provisions making and capital occupying, nor utilize trust channel to present false assets off balance sheet; (iv) implement list-based management on trust companies in business between banks and trust companies, comprehensively consider the risk management level and professional investment ability of the trust companies and prudently choose its counterparties; and (v) not illegally invest trust funds in restricted or prohibited areas such as real estate, LGFVs, stock market or those with overcapacity when carrying out business between banks and trust companies.

Electronic Banking

In order to strengthen the security and risk management of e-banking business, China Banking Regulatory Authority promulgated the Measures for the Administration of Electronic Banking (《電子銀行業務管理辦法》) and the Guidelines for the Assessment of Electronic Banking Safety (《電子銀行安全評估指引》) on January 26, 2006. Banking financial institution that apply for the establishment of an e-banking business should have a sound risk management system and an internal control system, and no major accidents should have occurred in the major information management systems and business process systems of such banking financial institutions one year prior to the application. In addition, all banking financial institutions that operate electronic banking are required to take security measures to ensure the confidentiality of information and prevent the unauthorized use of e-banking accounts.

On August 9, 2011, the Notice of the CBRC on Strengthening the Management of Customer Information in Electronic Banking (《中國銀監會關於加強電子銀行客戶信息管理工作的通知》) was promulgated, which requires commercial banks to attach a high level of importance to customer information security and confidentiality; commercial banks may not directly or indirectly provide customer sensitive information such as the name, ID type and number, mobile phone Number, telephone number, address, etc. to third party organizations without the customer's authorization to the entity.

Credit Card Business

On January 13, 2011, the Measures for the Supervision and Administration of Credit Card Business of Commercial Banks (《商業銀行信用卡業務監督管理辦法》) was promulgated, which stipulates that commercial bank which commence credit card business should have effective internal control and risk management systems, to monitor the credit card business operations, and protect the legal rights and interests of customers and personal information security. Commercial banks shall also fully disclose the risks associated with the use of credit cards to customers, and establish and improve the corresponding complaint handling mechanism, and also obtain the prior approval of China Banking Regulatory Authority.

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, various types of instruments such as short-term commercial paper, medium-term notes, corporate bonds, enterprise bonds and asset securitization 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 in non-banking financial institutions and enterprises.

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

On December 5, 2013, 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》) was issued, explicitly 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 and differences 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.

Small and Micro Enterprises Financing

On October 31, 2014, the State Council issued the Opinions of the State Council on Supporting the Healthy Development of Small and Micro Enterprises (《國務院關於扶持小型微型企業健康發展的意見》), to encourage and guide banks to focus on supporting small and micro enterprises and regional economic development, and require each banking financial institution to separately list small and micro enterprise credit schemes on the basis that such business can be sustainable and risks effectively controlled.

On June 22, 2015, the Notice from CBRC to Further Implement Financial Service Supervising Policy of Small and Micro Enterprises (《中國銀監會關於進一步落實小微企業金融服務監管政策的通知》) was issued, which proposes certain requirements on insisting problem-oriented, ensuring the implementation of policies, clarifying the emphasis of support, increasing the input of credit and loans, advancing the innovation of loan services, enlarging the scope of autonomously renewing loans, improving tolerance indicator of non-performing assets, strengthening differentiated assessment, optimizing the internal resources allocation, improving the service ability, strictly implementing "Two Banned and Two Limits" (兩禁兩限) and standardizing service charges, for the purpose of further implementing regulatory supporting policies and continually improving and deepening financial services to small and micro enterprises.

Internet Finance

On July 14, 2015, the Guiding Opinions on Promoting Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》) was issued with an aim to promote financial reform and innovation and the healthy development of Internet finance by providing the following guidelines:(i) encouraging innovations and supporting the stable development of Internet finance; (ii) providing separate guidelines and specifying supervision responsibility regarding Internet finance; and (iii) optimizing systems and regulating the order of Internet finance market.

PRICING OF PRODUCTS AND SERVICES

Interest Rates for Loans and Deposits

In accordance with the PRC Commercial Banking Law, commercial banks shall determine the interest rate for RMB-denominated deposits and loans within the range of benchmark interest rates set by the PBoC. In recent years, the PBoC has gradually liberalized its regulation of interest rates, allowing banks more flexibility to determine the interest rates for RMB-denominated loans and deposits.

On July 20, 2013, the PBoC removed the minimum interest rate requirement for new loans provided by commercial banks, while the minimum interest rates for new residential mortgage loans remained at 70% of the PBoC benchmark lending rates. On September 29, 2014, PBoC and other financial regulatory authorities announced 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 living condition.

With effect from October 29, 2004, commercial banks in the PRC were allowed to set their own interest rates of RMB-denominated deposits so long as such interest rates were not higher than the relevant PBoC benchmark rates. With effect from November 22, 2014, commercial banks in the PRC were allowed to set their own interest rates of RMB-denominated deposits up to 120% of the relevant PBoC benchmark rates. With effect from March 1, 2015, commercial banks in the PRC were allowed to set their own interest rates of RMB-denominated deposits up to 130% of the relevant PBoC benchmark rates. With effect from May 11, 2015, the PBoC adjusted the cap of interest rates on RMB-denominated deposits to 150% of the relevant PBoC benchmark rates. However, such restrictions do not apply to interest rates on negotiated deposits. Effective from August 26, 2015, the PBoC removed the cap on the interest rates on RMB-denominated time deposits with tenors of longer than one year while the cap on the interest rates on RMB-denominated demand deposits and time deposits with tenors up to one year remain unchanged. Furthermore, effective from October 24, 2015, the PBoC removed the cap on interest rates on deposits of commercial banks and allowed commercial banks in China to set interest rates on deposits based on commercial considerations.

From 2011 to the Latest Practicable Date, the PBoC has adjusted the benchmark interest rate for RMB-denominated loans and the benchmark interest rate for RMB-denominated deposits for 11 times respectively. The following tables set forth the PBoC benchmark interest rates for RMB-denominated loans and RMB-denominated deposits since 2014.

(Annualized interest rate: %)

Adjustment date	Six months or below	Six months to one year (inclusive)	Over one to three years (inclusive)	Over three to five years (inclusive)	Over five years	Housing provident fund loan	
						Five years or below	Over five years
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: the PBoC

(Annualized interest rate: %)

Adjustment date	Demand deposit	Time deposit					
		Three months	Six months	One year	Two years	Three years	Five years
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
May 11, 2015	0.35	1.85	2.05	2.25	2.85	3.50	N/A
June 28, 2015	0.35	1.60	1.80	2.00	2.60	3.25	N/A
August 26, 2015	0.35	1.35	1.55	1.75	2.35	3.00	N/A
October 24, 2015	0.35	1.10	1.30	1.50	2.10	2.75	N/A

Source: the PBoC

(1) Since November 22, 2014, the PBoC has not announced the benchmark rate of five-year RMB-denominated time deposits.

Commercial banks are currently approved to negotiate and determine interest rates for foreign currency-denominated loans and deposits.

Pricing for Fee and Commission-based Products and Services

Under the Administrative Measures on Pricing of Commercial Banking Services (《商業銀行服務價格管理辦法》) issued on February 14, 2014, other than those services for which pricing is guided or determined by the government, commercial banks' services are priced based on market conditions. In the event that a commercial bank increases the service prices or sets new service charging items 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.

Statutory Deposit Reserve

Commercial banks are required to maintain a percentage of their total deposits as reserves with the PBoC to ensure they have sufficient liquidity to meet customer withdrawals. As of the latest practicable date, the Bank is required to reserve 12.5% of the total amount of RMB deposits according to relevant regulations of the PBoC. The following table sets forth the statutory deposit reserve ratio for RMB applicable to the Bank since 2014.

Adjustment date	Statutory deposit reserve ratio
June 16, 2014	18.0%
February 5, 2015	17.5%
April 20, 2015	16.5%
June 28, 2015	16.5%
September 6, 2015	16.0%
October 24, 2015	15.5%
March 1, 2016	15.0%
February 27, 2017	13.5%
April 17, 2018	12.5%

Source: the PBoC

SUPERVISION OF CAPITAL ADEQUACY LEVEL

Latest CBRC Supervisory Standards regarding Capital Adequacy Level

On February 23, 2004, the Administrative Measures on the Capital Adequacy was issued, which became effective on March 1, 2004 and was amended on July 3, 2007. The Administrative Measures on the Capital Adequacy Ratio of Commercial Banks require commercial banks to maintain a capital adequacy ratio of no less than 8% and a core capital adequacy ratio of no less than 4%. Prior to January 1, 2013, the Bank was required to comply with the Administrative Measures on the Capital Adequacy Measures.

On June 7, 2012, China Banking Regulatory Authority issued the Capital Administrative Measures (Provisional) with reference to Basel III to replace the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks. The Capital Administrative Measures (Provisional) have been in effect since January 1, 2013.

Under the Capital Administrative Measures for Commercial Banks (Provisional), capital adequacy ratios are calculated according to the following formulae:

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

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

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

Note: In the preceding formulae:

Total Capital:	includes core tier 1 capital, other tier 1 capital and tier 2 capital.
Tier 1 Capital:	includes both core tier 1 capital and other tier 1 capital.
Core Tier 1 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 1 Capital:	includes other tier 1 capital instrument as well as its premium and applicable portions of minority shareholders' capital that may be included.
Tier 2 Capital:	includes both tier 2 capital instrument as well as its premium, excess allowance for loss and portions of minority shareholders' capital that may be included.
Corresponding capital deductions:	refers to items that should be deducted correspondingly when commercial banks calculate the capital adequacy ratio at each tier.
Risk-weighted assets:	includes credit risk-weighted assets, market risk weighted assets and operational risk-weighted assets.

Regulatory Requirements in respect of Capital Adequacy Ratios

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

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

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

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

In addition, the systematically important banks in the PRC are required to calculate and set aside additional capital in an amount equal to 1% of their risk-weighted assets, which is to be fulfilled by core tier 1 capital. If a 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. As of the Latest Practicable Date, China's regulatory authorities have not established standards for such systematically important banks, nor have they issued related lists.

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

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

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

Note: The Bank is categorized as "Other Banks" as shown in the table above.

In addition, if the regulatory authorities require commercial banks to set up countercyclical capital buffer requirements or impose capital requirements on an individual bank under the second pillar during the transition period, 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 Instrument to Replenish Capital

Issuance of Tier-two Capital Bonds

On June 17, 2004, 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》) was promulgated, pursuant to which, principal and interest of subordinated bonds issued by commercial banks shall be subordinated to the banks' other liabilities but be senior to the bonds in banks' equity capital. Upon approval by China Banking Regulatory Authority, commercial banks may include such subordinated bonds in their supplementary capital. The issuance of subordinated bonds by commercial banks is subject to the approval of China Banking Regulatory Authority and PBoC. China Banking Regulatory Authority regulates the qualification for bonds issue and the method for the inclusion in the supplementary capital. The PBoC regulates the issuance and trading of subordinated bonds in the interbank bond market.

Pursuant to the Capital Administrative Measures (Provisional), 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 in the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) 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 shall not be included in regulatory capital.

Issuance of Green Financial Bonds

On December 15, 2015, the PBoC promulgated the Notice of Matters on Issuance of Green Financial Bonds (《關於發行綠色金融債券有關事宜的公告》), which provided that, proceeds raised from green financial bonds shall apply to supporting of green industries. Green industrial projects are specified in the Green Bond Support Project Directory (《綠色債券支持項目目錄》). The issuer shall apply the raised proceeds to green industrial projects within the period committed in its prospectus. During sitting idle of proceeds, the issuer may apply the proceeds to investing in the green bonds issued by non-financial enterprises, and instruments with good credit rating and market liquidity at monetary markets.

CBIRC's Supervision of Capital Adequacy Level

CBIRC is responsible for supervising the capital adequacy level of banking institutions in the PRC, reviewing and evaluating banking institutions' capital adequacy through both on-site examination and off-site monitoring.

Under the Capital Administrative Measures (Provisional), commercial banks are classified into four categories based on their capital adequacy ratios, and corresponding measures are adopted, details of which are as follows:

Categories	**Capital adequacy**	**Measures of CBIRC**
Grade I	Commercial banks which meet all the capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 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.

Categories	Capital adequacy	Measures of CBIRC
Grade II . .	Commercial banks which fail to meet the second pillar capital requirements but meet all other capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio.	• to adopt the regulatory measures for Grade I banks; • to conduct talks on prudent practice with the board of directors and the senior management of the commercial bank; • to issue a regulatory opinion, including the problems identified with the capital management of the commercial bank, the proposed measures for rectification and the opinion on meeting the requirements within the prescribed time limit; • to require the commercial bank to formulate a practicable capital replenishment plan and the plan for meeting the requirements within the prescribed time limit; • to increase the frequency of supervision and inspection of the capital adequacy of the commercial bank; and • to require the commercial bank to take risk-mitigation measures for specific risk areas.
Grade III. .	Commercial banks which meet all the minimum capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 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 1 capital adequacy ratio and core tier 1 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 compulsorily require the commercial bank to write down tier 2 capital instruments or convert them into ordinary shares; • to order the commercial bank to change its directors or senior management or restrict their rights; • to take over the commercial bank or procure the institutional reorganization of, or even dissolve, the commercial bank in accordance with applicable laws; and • to comprehensively consider external factors and take other necessary measures.

Note: (1) As of December 31, 2017, the Bank was 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, on January 30, 2015, China Banking Regulatory Authority revised 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 the Leverage Ratio"), 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%, whether or not on a consolidated basis. The leverage ratio is calculated according to the following formula:

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

For a commercial bank whose leverage ratio is lower than the minimum regulatory requirement, China Banking Regulatory Authority and its bureaus may take the following rectification measures requiring the commercial bank to: (i) supplement its tier 1 capital within a specified period; (ii) control the growth of its on- and off-balance sheet assets; and (iii) reduce the size of its on- and off-balance sheet assets. If the commercial bank fails to rectify its non-compliance within the specified period, or its behavior has seriously endangered its sound operation or damaged the legitimate interests of depositors or other clients, China Banking Regulatory Authority and its bureaus may take relevant supervision measures pursuant to the PRC Banking Supervision and Regulatory Law. In addition to the above-mentioned measures, China Banking Regulatory Authority and its bureaus may also impose administrative penalties on the commercial bank.

The Administrative Measures on the Leverage Ratio also required that, systematically important banks are required to meet the minimum regulatory requirements in such Administrative Measures on April 1, 2015 when the Administrative Measures implemented, while other commercial banks are required to meet the minimum regulatory requirements in such Administrative Measures before the end of 2016. The Bank is a non-systematically important bank, while the Bank has already met the regulatory requirement on leverage ratio of not lower than 4%.

Basel Accords

Basel Capital Accord I (or Basel I) was introduced by the Basel Committee on Banking Supervision, or the Basel Committee, in 1988. Basel I is a capital measurement system for banks that provides for the implementation of a credit risk measurement framework with a minimum capital adequacy ratio of 8%.

Since 1998, the Basel Committee has issued a series of proposals, and replaced Basel I with Basel II.

In response to the deficiencies in financial regulation system 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. Under such circumstances, Basel III was drafted and endorsed by G20 at their November 2010 Seoul summit. On December 16, 2010, Basel III was officially issued by the Basel Committee on Banking Supervision. Basel III: (i) strengthens capital adequacy level in capital resources, risk-weighted assets and capital ratios and requires 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 of capital adequacy ratio, 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.

In line with the reform of Basel Accords and the implementation of Basel III, on April 27, 2011, China Banking Regulatory Authority promulgated the Guiding Opinions on the Implementation of New Regulatory Standards in China's Banking Industry (《中國銀監會關於中國銀行業實施新監管標準的指導意見》), which set out the key targets and principles for the reform of China's capital regulatory framework. On June 1, 2011, China Banking Regulatory Authority issued the Administrative Measures on the Leverage Ratio of Commercial Banks. On June 7, 2012, China Banking Regulatory Authority issued the Capital Administrative Measures (Provisional), which came into effect on January 1, 2013, and superseded the Administrative Measures on the Capital Adequacy Measures and the related guidelines.

In January 2014, the Basel Committee issued the Leverage Ratio Framework and Disclosure Requirements in the Third Installment of Basel Accords, which revised the international rules in relation to leverage ratio. In accordance with the new rules of leverage ratio by the Basel Committee, on January 30, 2015, China Banking Regulatory Authority 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.

LOAN CLASSIFICATION, ALLOWANCES AND WRITE-OFFS

Loan Classification

On July 3, 2007, China Banking Regulatory Authority issued the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》), pursuant to which commercial banks in the PRC are required to classify loans under a five-level loan classification system based on the judgment of the likelihood of full repayment of principal and interest by debtors on time. The five levels are "pass", "special mention", "substandard", "doubtful" and "loss". A loan classified as substandard, doubtful or loss is considered to be non-performing. The primary factors for evaluating the borrower's repayment ability include the borrower's cash flow, financial conditions and non-financial factors that affect repayment ability.

Loan Loss Allowance

According to the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》), a loan classified as substandard, doubtful or loss is considered to be non-performing, and commercial banks are required to make full loss allowance and write off on a timely basis and write off loan losses on the basis of classifications of loans and in accordance with the relevant regulations.

According to the Guidelines on Bank Loan Loss Allowance (《銀行貸款損失準備計提指引》) issued by the PBoC on April 2, 2002, commercial banks are required to make general loan loss allowances on a quarterly basis and to have a general allowance of not less than 1% of the total loans outstanding as of the end of the year. The guidelines also provide 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 decide to make special allowances quarterly in accordance with special risk factors of loans in different categories (such as countries and industries), 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 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 loan provision ratio and its provision coverage ratio, the benchmarks of which are 2.5% and 150%, respectively. The higher of the two standards will be taken to be the supervisory standard. Systematically important banks confirmed by banking regulatory authorities are required to reach the standard before the end of 2013. Non-systematically important banks are required to reach such standard before the end of 2016 and those failing to reach the standard before the end of 2016 are required to formulate a plan on how to reach such standard and submit the same to banking regulatory agencies and reach such standard by the end of 2018 at the latest.

CBIRC's Supervision of Loan Classification and Loan Loss Allowance

Commercial banks are required to report to the CBIRC information regarding loan classification and loan loss allowance on a regular basis by submitting quarterly and annual reports. According to the Administrative Measures for the Loan Loss Allowance of Commercial Banks (《商業銀行貸款損失準備管理辦法》) which became effective on January 1, 2012, the banking regulatory agencies may issue risk notices to a commercial bank and require rectifications to be made accordingly if the commercial bank fails to meet the relevant minimum loan loss allowance standards for three consecutive months. The banking regulatory authorities may take further regulatory actions in accordance with the PRC Banking Supervision and Regulatory Law if the non-compliance lasts for six consecutive months.

Bulk Transfer of Non-performing Assets

The Management Approach of Batch Transfer of Non-performing Assets of Financial Enterprise (《金融企業不良資產批量轉讓管理辦法》) was issued on January 18, 2012. It stipulates that financial enterprises can batch transfer non-performing credit assets and non-credit assets formed in operations to asset management companies, and such negotiable assets mainly include: loans identified as substandard, doubtful and loss according to prescribed procedures and standards; written-off back assets, repossessed assets and other non-performing assets.

Loan Write-offs

Under the regulations issued by the banking regulatory authority of China, 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 before tax, but it must be reviewed and approved by the tax authorities.

Allowance and Statutory General Reserve for Impairment Losses

On March 30, 2012, MOF issued the Administrative Measures for the Provisioning for Reserves of Financial Institutions (《金融企業準備金計提管理辦法》), which requires that, in principle, the general statutory reserve shall be no less than 1.5% of the risk-bearing assets at the balance sheet date of the financial institutions. 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 on a one-off basis, the financial institution will be 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 the banking regulatory authority of China began its trial implementation on January 1, 2006.

The following table sets out the ratio of the Core Indicators (Provisional) and the ratios of the Bank as of December 31, 2015, 2016 and 2017 or for the years or half year ended the same dates which are calculated in accordance with non-combined benchmark and PRC GAAP.

Indicator categories		Primary indicators	Secondary indicators	Requirements	As of December 31,		
					2015	2016	2017
				(%)	(%)	(%)	(%)
Risk Level	Liquidity Risk	Liquidity ratio		≧25	52.09	59.17	48.39
		Core liability ratio		≧60	60.14	52.02	61.25
		Liquidity gap ratio		≧-10	5.65	25.20	24.19
	Credit risk	Non-performing asset ratio		≦4	0.97	0.78	0.82
			Non-performing loan ratio	≦5	1.84	1.80	1.78
		Credit exposure to a single group customer		≦15	7.66	10.01	14.7
			Loan exposure to a single customer	≦10	4.74	9.15	6.61
		Overall credit exposure to related parties		≦50	0.47	2.45	9.04
	Market risk	Cumulative foreign currency exposure ratio		≦20	0.18	0.20	0.19

Indicator categories		Primary indicators	Secondary indicators	Requirements	As of December 31, 2015	2016	2017
				(%)	(%)	(%)	(%)
Risk Cushion.	Profitability	Cost-to-income ratio		≦35	27.74	29.77	32.09
		Asset profitability ratio		≧0.6	0.42	0.62	0.85
		Capital profitability ratio		≧11	5.15	7.99	13.12
	Allowance Adequacy	Allowance adequacy ratio for asset losses		≧100	376.27	388.94	451.67
			Allowance adequacy ratio for loan	≧100	217.73	205.65	206.99
	Capital adequacy	Capital adequacy ratio		≧10.5	13.81	11.90	12.94
			Tier-one capital adequacy ratio	≧8.5	12.21	10.86	9.40
			Core tier-one capital adequacy ratio	≧7.5	12.21	10.86	9.40

In addition, the Core Indicators (Provisional) set out guidance on other indicators, including ratios relating to interest rate sensitivity, loss rate of operational risk and loan migration. However, the specific indicator has not yet been specified, and the CBIRC may formulate regulatory requirements regarding to such ratios in the future.

As of the end of 2015, 2016 and 2017, the Bank's core liability ratio was 60.14%, 52.02% and 61.25%, respectively, which didn't meet the core liability ratio requirement under the Core Indicators (Provisional). It was primarily attributable to the increase in the Bank's funds from interbank market, which are considered non-core liabilities, as a percentage of the Bank's total liabilities resulting from the rapid growth of the Bank's assets and liabilities in 2016 and interest rate liberalization. Therefore, the Bank believes that such non-compliance will not shed light on any material liquidity issues.

As advised by Zhong Lun Law Firm, the Bank's PRC legal advisor, the Core Indicators (Provisional) provides no explicit penalties in respect of incompliance with the core liabilities ratio therein. As stated in the Core Indicators (Provisional), except as otherwise required by laws, administrative rules and department regulations, core indicators shall not constitute a direct basis for administrative penalties. In accordance with the Measures on the Liquidity Risk of Commercial Banks (Trial) (《商業銀行流動性風險管理辦法(試行)》) issued on January 17, 2014, with effect from March 1, 2014 and amended on September 2, 2015, the core liability ratio no longer acted as a regulatory indicator. Accordingly, Zhong Lun Law Firm, the bank's PRC legal advisor, believes that failure to meet the core liability ratio will not directly expose the Bank to any material liquidity risk.

As of the end of 2015, 2016 and 2017, the Bank's asset profitability ratio was 0.42%, 0.62%, and 0.85%, respectively, among which the asset profitability ratio of 2015 did not meet the requirement under the Core Indicators (Provisional). It was primarily attributable to the inconsistency of fluctuation between net profits after tax and average total assets and excessive increase in average total assets caused by the acquisition in 2015. Zhong Lun Law Firm, the Bank's PRC legal advisor, believes that the Core Indicators (Provisional) provides no explicit penalties in respect of any incompliance with the asset profitability ratio therein. As stated in the Core Indicators (Provisional), unless otherwise stipulated by laws, administrative regulations and departmental rules, core indicators shall not be taken as a direct basis for administrative penalties.

As of the end of 2015, 2016 and 2017, the Bank's capital profitability ratio was 5.15%, 7.99%, 13.12%, respectively, among which the capital profitability ratio of 2015 and 2016 did not meet the requirement under the Core Indicators (Provisional). It was primarily attributable to the inconsistency of fluctuation between net profits after tax and average net assets and excessive increase in average net assets caused by the acquisition in 2015. Zhong Lun Law Firm, the Bank's PRC legal advisor, believes that the Core Indicators (Provisional) provides no explicit penalties in respect of any incompliance with the capital profitability ratio therein. As stated in the Core Indicators (Provisional), unless otherwise stipulated by laws, administrative regulations and departmental rules, core indicators shall not be taken as a direct basis for administrative penalties.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Corporate Governance

The PRC Company Law, the PRC Commercial Banking Law and other laws, regulations and regulatory documents set out specific requirements regarding corporate governance. The Corporate Governance Guidelines for Commercial Banks (《商業銀行公司治理指引》) issued on July 19, 2013 requires 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.

In terms of the composition of the board of supervisors, according to the Guidelines on the Functioning of Supervisory Board of Commercial Banks (《商業銀行監事會工作指引》), the proportion of employees representative supervisors and that of external supervisors of commercial banks should be not 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》) require that the board of directors of a commercial bank should have at least two independent directors and the supervisory board at least two external supervisors.

Internal Controls

Under the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) issued on July 3, 2007 and revised on September 12, 2014, commercial banks are required to establish internal controls to ensure effective risk management for their business activities. Commercial banks should put in place internal control management and organizational structures with reasonable and clear assignment of responsibility and reporting relationship between board of directors, board of supervisors, senior management, and internal control, internal audit and operational departments. Commercial banks in the PRC are also required to appoint a dedicated department as internal control management department, taking a leading role in coordinating and organizing internal control systems and in evaluating the systems. An internal audit department of commercial banks monitors internal controls, reviews the adequacy and effectiveness of internal controls, reports to the board regarding any problem discovered during the process of audit in a timely manner and provide guidance on rectifications.

The Corporate Governance Guidelines for Commercial Banks (《商業銀行公司治理指引》) was promulgated on July 19, 2013, pursuant to which 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. Moreover, the supervisory board is required to perform its supervisory obligations by supervising the directors and senior management, refining the system and rules of internal control and performing supervisory duties in internal control. Commercial banks are required to establish a relatively independent supervision and evaluation department in internal control that is responsible for effectively supervising and evaluating system construction and implementation of internal control and the department can report directly to the board of directors, supervisory board and senior management.

The Internal Audit Guidelines for Commercial Banks (《商業銀行內部審計指引》) was issued on April 16, 2016, which requires that the board of directors of a commercial bank should have an audit committee of not less than three members and most of whom should be independent directors. Commercial banks must also set up an independent internal audit department with sufficient internal auditors, who should not be less than 1% of the total number of employees in principle.

Information Disclosure Requirements

China Banking Regulatory Authority successively issued and implemented the Measures for the Information Disclosure of Commercial Banks (《商業銀行信息披露辦法》) on July 3, 2007, according to which, a PRC commercial bank is required to issue an annual report (including the audited financial statements) within four months from 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 of commercial banks. The documents of information disclosure include periodical reports, interim reports and other information under regulatory requirements. The commercial banks shall disclose information via annual reports, website or other methods to facilitate timely access to the disclosed information by shareholders and other stakeholders. Listed commercial banks shall also disclose information in compliance with the relevant provisions promulgated by the securities regulatory authority.

Related Party Transactions

The Administrative Measures on Related Party 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) was issued on April 2, 2004, which provided stringent and detailed requirements on the related party transactions of PRC commercial banks. Such measures require PRC commercial banks to adhere to the principles of honesty and fairness in conducting related party transactions. PRC commercial banks are not allowed to grant unsecured loans to related parties. 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 also set out detailed provisions on the definition of a related party, the form and content of a related party transaction as well as the procedures and principles which must be followed for related party transactions.

Risk Management

Since its inception, CBIRC 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 granting loan and credit to certain specific industries and customers and the measures in respect of the implementation of Basel Accords, see "– Regulations on Principal Commercial Banking Activities – Lending" and "– CBIRC's Supervision of Capital Adequacy Level – Basel Accords". China Banking Regulatory Authority also issued the Core Indicators (Provisional) as a basis of supervising the risk management of PRC commercial banks. China Banking Regulatory Authority established requirements for certain ratios relating to risk levels and risk provisions in the Core Indicators (Provisional) and is expected to establish requirements for certain ratios relating to risk mitigation for the purpose of evaluating and monitoring the risks of PRC commercial banks. See " – Other Operational and Risk Management Ratios". China Banking Regulatory Authority periodically collects data through off-site monitoring to analyze such indicators and evaluate and issue early warnings of the risks on a timely basis.

Latest CBIRC Regulatory Requirements on Operations and Risk Management of Commercial Banks

On March 28, 2017, China Banking Regulatory Authority issued the Notice on the Special Governing of Behaviors of Illegal, Irregularity and Unlawful Conduct in Banking Industry (Yinjianban Fa [2017] No. 45) (《關於開展銀行業「違法、違規、違章」行為專項治理工作的通知》(銀監辦發[2017]45號)) and the Notice on Special Administration on Supervision of Arbitrage, Spinning Arbitrage and Related Arbitrage (Yinjianban Fa [2017] No. 46) (《關於開展銀行業「監管套利、空轉套利、關聯套利」專項治理工作的通知》(銀監辦發[2017]46號)). On April 6, 2017, it issued the Notice of the General Office of the CBRC on Special Administration on Improper Innovation, Improper Trading, Improper Incentives and Improper Fees of the Banking Industry (Yinjianban Fa [2017] No. 53)(《中國銀監會辦公廳關於開展銀行業「不當創新、不當交易、不當激勵、不當收費」專項治理工作的通知》(銀監辦發[2017]53號)). These documents, based on the objective of further preventing and controlling financial risks, managing financial chaos, urging banking financial institutions to strengthen compliance management, standardizing business operations, effectively preventing and controlling risks, steadily regulating development and better serving the real economy, comprehensively carried out special governing of behaviors that violate financial laws, regulatory rules and internal regulations, special administration on supervision of arbitrage, spinning arbitrage and related arbitrage and special administration on improper innovation, improper trading, improper incentives and improper fees in banking financial institutions, and requested banks to perform fully self-examination in respect of the above and regulatory authorities to supervise and inspect banks.

In April 2017, China Banking Regulatory Authority successively issued the Guiding Opinions of the CBRC on Improving the Quality and Efficiency of the Banking Industry in Serving the Real Economy (Yin Jian Fa [2017] No. 4) (《中國銀監會關於提升銀行業服務實體經濟質效的指導意見》(銀監發[2017]4號)), the Notice on Concentrated Rectification of Market Chaos in Banking Industry (Yin Jian Fa [2017] No. 5)(《關於集中開展銀行業市場亂象整治工作的通知》(銀監發[2017]5號)), and the Guiding Opinions of the CBRC on Risk Prevention and Control of Banking Industry (Yin Jian Fa [2017] No. 6) (《中國銀監會關於銀行業風險防控工作的指導意見》(銀監發[2017]6號)) and other documents. In January 2018, the banking regulatory authority of China issued the Notice of the CBRC on Further Deepening the Rectification of Market Chaos in Banking Industry (Yin Jian Fa [2018] No.4) (《中國銀監會關於進一步深化整治銀行業市場亂象的通知》(銀監發[2018]4號)). These documents regulated risk control, business management, classified regulation, stable operation, improvement of service quality and other aspects of banks.

Supervisory Rating System

The Internal Guidelines for Regulatory Rating of Commercial Banks (《商業銀行監管評級內部指引》) were issued on June 19, 2014, which requires all commercial banks legally established in China (not applicable to newly-established commercial banks other than rural commercial banks of that year) to undergo an assessment conducted by China Banking Regulatory Authority based on a supervisory rating system. Under such guidance, the capital adequacy, asset quality, management quality, profitability, liquidity risk, information technology risk and exposure to market risk, etc. of commercial banks are elements for regulatory rating of commercial banks. Each bank is classified into one of six supervisory rating categories based on the scores. The results of ratings will serve as the main basis for the regulatory authorities to measure the risk levels of commercial banks, implement their supervision planning, rationally allocate supervision resources and evaluate the market entry qualification of commercial banks.

OWNERSHIP AND SHAREHOLDER RESTRICTIONS

Regulations on Equity Investment in Banks

According to the Measures for the Implementation of Administrative Licensing of Chinese-funded Commercial Banks (《中資商業銀行行政許可事項實施辦法》) promulgated by China Banking Regulatory Authority on October 15, 2013 and amended on July 5, 2017, an application for change by a city commercial bank to modify shareholders that hold more than 5% of its total amount of capital or shares, or an application by an overseas financial institution to invest in or subscribe for shares shall be handled and decided by local offices under the CBRC. An application by a city commercial bank to modify the shareholders that hold more than 1% but less than 5% of its total amount of capital or shares shall be reported to the local offices under the CBRC within 10 days after the transfer of the equity.

According to 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 fulfilling certain conditions may invest in or hold shares of PRC commercial banks upon approval of China Banking Regulatory Authority. However, no single foreign financial institution may own 20% or more of the equity of such a bank. Moreover, if foreign investment in aggregate reaches or exceeds 25% of the total equity interest in a non-listed Chinese-funded commercial bank, such bank will be regulated as a foreign-invested bank. Listed Chinese-funded commercial banks are still regulated as Chinese-funded banks even if foreign investment in the aggregate reaches or exceeds 25% of their total equity interest.

Regulations on Equity Management of Banks

The Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》) were issued on January 5, 2018, which applies to commercial banks established in the People's Republic of China in accordance with laws and integrates and consolidates the requirements of previous laws and regulations in relation to equity management of commercial banks, requires that equity management of a commercial bank shall conform with the principles of category management, decent quality, clear-cut relations, defined responsibilities, and fairness and transparency. The principal regulations include, but not limited to: (i) the shareholding of shareholders, their related parties and parties acting in concert shall be aggregated for calculation, and a commercial bank shall manage its substantial shareholders, controlling shareholders, actual controllers, related parties, parties acting in concert and ultimate beneficiaries as its own related parties under the transparency principle; (ii) substantial shareholders of a commercial bank who hold or control 5% or more of its shares or voting rights, or hold less than 5% of the total capital or total equity but have significant impact on the operations and management of the commercial bank, shall enunciate their shareholding structure to the level of actual controllers and ultimate beneficiaries, and specify their related relationship or acting-in-concert relationship with other shareholders; (iii) unless otherwise required by the Measures, the same investor and its related parties and parties acting in concert, as substantial shareholders, shall not invest in more than two commercial banks, or shall not control more than one commercial bank; (iv) unless otherwise required by the Measures, substantial shareholders of a commercial bank shall not transfer shareholdings they held and hold shares of the commercial bank by ways of issuing, managing or otherwise controlling financial products within five years from the date of obtaining shareholding; (v) the commercial bank shall strengthen examination on the qualification of its shareholders, verify the information of substantial shareholders and their controlling shareholders, actual controllers, related parties, persons acting in concert and ultimate beneficiaries and follow up the changes thereof, judge the impact from the shareholders on the operation and management of the commercial bank and fully report or disclose relevant information in a timely and accurate manner according to the laws; (vi) the commercial bank shall set up an equity custody system, centralizing the equity in a custodian institution that meets the requirements. The specific requirements of the custody shall be otherwise stipulated by China Banking Regulatory Authority; (vii) the credit balance granted to individual entities, including the substantial shareholders or their controlling shareholders, actual controllers, related parties, parties acting in concert and ultimate beneficiaries, by the commercial bank shall not exceed 10% of the commercial bank's net equity. The total credit balance granted to the individual substantial shareholder and its controlling shareholders, actual controllers, related parties, parties acting in concert and ultimate beneficiaries by the commercial bank shall not exceed 15% of the commercial bank's net equity; and (viii) specifying the situations of shareholders' violations and stipulating that the regulators may take measures including restricting shareholders' rights and imposing an order on controlling shareholders to transfer their equity.

Restrictions on Shareholders

The Corporate Governance Guidelines for 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 a commercial bank's capital 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, and capital is required to be replenished by means of increasing core capital. Under such circumstances, substantial shareholders cannot obstruct the capital injection moves by other shareholders or the participation of new qualified shareholders. If shareholders of a PRC commercial bank, especially substantial shareholders, fail to repay outstanding loans extended by the bank when due, their voting rights at shareholders' meeting and their appointed directors' voting rights at board meeting shall be restricted.

In addition, the PRC Company Law and relevant CBIRC 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 Corporate Governance Guidelines for Commercial Banks: (i) any shareholder of a commercial bank must give prior notice to the board of directors of the bank if he or she or it wishes to pledge his or her or its shares as collateral; and (ii) where the balance of loans extended by a commercial bank to its shareholder exceeds the net value of his or her equity derived from the audited consolidated statements for the preceding year, the shareholder cannot use his or her stake in the bank as pledge. 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") was issued on November 14, 2013, 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 Corporate Governance Guidelines: (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 shareholders involved shall provide the bank with the relevant information in relation to the pledge of equity interests in a timely manner, so as to facilitate the bank's risk management and information disclosure compliance; and (iii) where a shareholder pledges 50% or more of his equity interests in the bank, the voting rights of such shareholder at the shareholders' general meetings, as well as the voting rights of the director(s) designated by such dispatched shareholder at board meetings, shall be subject to restrictions.

The Notice provides that if commercial banks are unable to satisfy the regulatory requirements, the PRC regulatory authorities may request such commercial banks to formulate rectification plans and may take corresponding regulatory and administrative measures if necessary.

In order to satisfy the requirements under the Notice, the Bank has amended its Articles of Association by adding voting restriction provisions which will be subject to the approval of the CBRC Jiangxi Office and become effective upon the listing of the H Shares.

Anti-money Laundering Regulation

The PRC Anti-Money Laundering Law (《中國反洗錢法》) which becomes effective on January 1, 2007 sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including the formulation of the anti-money laundering rules for financial institutions and requires financial institutions to establish a robust internal control system for anti-money laundering.

Pursuant to the Anti-Money Laundering Regulations for Financial Institutions (《金融機構反洗錢規定》) promulgated by PBoC on November 14, 2006, PRC commercial banks are required to establish a specialized department or designate an internal department to implement their anti-money laundering procedures. On the same day, the PBoC issued 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》), which was amended on December 28, 2016. Such Administrative Measures stipulates that upon the detection of any suspicious transactions or transactions involving large amounts, commercial banks are required to report the relevant transactions to the Anti-money Laundering Monitoring and Analysis Center. Where necessary and pursuant to appropriate judicial proceedings, commercial banks are required to cooperate with government authorities in preventing money laundering activities and in freezing assets. In accordance with the Anti-Money Laundering Law of the People's Republic of China and the Anti-Money Laundering Regulations for Financial Institutions, PBoC supervises and conducts on-site examinations of commercial banks' compliance with the anti-money laundering laws and regulations and may impose penalties for any violations thereof.

On June 21, 2007, the PBoC, CSRC and other financial regulatory authorities jointly promulgated 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》). Commercial banks are required to set up a customer identification system, record the identities of all customers and the information relating to each transaction, and keep personal transaction records and documents.

In accordance with the Measures for the Supervision and Administration of the Anti-money Laundering Operations by Financial Institutions (for Trial Implementation) (《金融機構反洗錢監督管理辦法(試行)》) which was promulgated by the PBoC on December 9, 2014, the 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 the PBoC and actively cooperate with the PBoC and its branches in supervisory inspections.

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: (1) short-term, medium-term and long-term loans; (2) bill acceptance and discounting; (3) interbank deposit taking; (4) trading of government bonds; (5) trading of bonds issued by financial institutions; (6) investment in banking institutions; and (7) other uses as may be approved by the relevant government authorities.

Upon approval by the banking regulatory authority of China and other relevant authorities, commercial banks may invest their funds in domestic insurance companies, fund management companies, financial lease companies and other companies in accordance with relevant regulations.

REGULATORY AND SHAREHOLDERS' APPROVALS

The Bank has obtained the Shareholders' approval for the proposed listing. See "Appendix VII – Statutory and General Information – 1. Further Information about the Bank – D. Resolutions of the Shareholders" in this prospectus.

The Bank also obtained approvals from CBRC Jiangxi Office and CSRC for the Global Offering and the application to list the H Shares on the Hong Kong Stock Exchange, on January 19, 2018 and May 7, 2018, respectively.

THE BANK'S HISTORY

Overview

The Bank is a city commercial bank headquartered in Nanchang, Jiangxi Province, the PRC and was established as a joint stock commercial bank under the name of Nanchang City Commercial Bank Co., Ltd. (南昌市商業銀行股份有限公司) pursuant to the relevant PRC laws and regulations on February 18, 1998. The predecessors of the Bank were 40 urban credit cooperatives (the "**Predecessors Credit Cooperatives**"). The Bank was promoted and established jointly by the former shareholders of the Predecessors Credit Cooperatives and 12 new investors[1] (the "**New Investors**") after being approved by the PBoC. At the time of the establishment, the Bank's registered capital was RMB249,272,300. In August 2008, the Bank changed its name to Nanchang Bank Co., Ltd. (南昌銀行股份有限公司). In December 2015, the Bank acquired Jingdezhen City Commercial Bank and changed its name to Jiangxi Bank Co., Ltd. (江西銀行股份有限公司).

The Bank's principal businesses include corporate banking, retail banking, and financial markets business. The Bank offers corporate customers a broad array of products and services to support their business needs, including corporate loans, bill discounting, corporate deposits, transaction banking services, investment banking services and other fee- and commission-based products. The Bank provides its retail banking customers with a wide range of products and services, including personal loans, personal deposits, bank cards, and various fee- and commission-based products and services. The Bank's financial markets business primarily includes money market transactions, investment business, wealth management, debt securities underwriting and distribution, bill discounting and rediscounting and credit asset securitization.

Key Milestones in the Bank's Business

Key milestones in the Bank's business development are as follows:

February 1998	The Bank was registered and officially established under the name of Nanchang City Commercial Bank Co., Ltd. (南昌市商業銀行股份有限公司).
August 2010	The Bank extended its operation out of the Jiangxi Province and the first non-local branch of the Bank, Guangzhou Branch, officially commenced operation.
June 2011	The Bank's Suzhou Branch officially commenced operation, realizing the "One Body Two Wings" strategy.
September 2012.	The total assets of the Bank exceeded RMB100 billion.
December 2012	The Small Enterprise Credit Center of the Bank commenced operation and the issuance of the special bond for extending loans to small and micro enterprises amounting to RMB5 billion was approved by the CBRC.

Note:

(1) The 12 new investors were Nanchang Municipal Bureau of Finance (南昌市財政局), Nanchang Xihu District Bureau of Finance (南昌市西湖區財政局), Nanchang Donghu District Bureau of Finance (南昌市東湖區財政局), Nanchang Suburban Bureau of Finance (南昌市郊區財政局), Nanchang Qingyunpu District Bureau of Finance (南昌市青雲譜區財政局), Jiangxi Changyun Group Co., Ltd. (江西長運集團有限公司), Jiangxi Tobacco Corporation Nanchang Branch (江西煙草公司南昌分公司), Jiangxi Tongda Auditing Firm (江西省通達審計師事務所), Jiangxi Hongkelong Co., Ltd. (江西洪客隆有限責任公司), Jiangxi Paper Co., Ltd. (江西紙業有限責任公司), Jiangxi Diesel Factory (江西柴油機廠) and Nanchang Hongcheng Great Market Co., Ltd. (南昌市洪城大市場股份有限公司).

January 2015.	As approved by the CBRC, the Bank became one of the first 27 commercial banks that were authorized to launch the credit assets securitization business in the PRC.
October 2015	The Bank, as the chief promoter, promoted the "Jiangxi Revitalization and Development Fund" ("江西振興發展基金").
	The Bank was awarded "National Banking Financial Institution Excellent Team in Small Enterprises Financial Services" ("全國銀行業金融機構小企業金融服務優秀團隊") by the CBRC.
November 2015.	Jiangxi Financial Leasing officially commenced operation.
December 2015	The Bank officially changed its name to Jiangxi Bank Co., Ltd. (江西銀行股份有限公司).
	The total assets of the Bank exceeded RMB200 billion.
July 2016	The Bank was the first non-pilot bank in the PRC to issue a green financial bond amounting to RMB8 billion.
September 2016.	The Bank successfully hosted the City Commercial Bank Convention 2016 and became a standing member of the City Commercial Bank Committee of China Banking Association.
December 2016	The total assets of the Bank exceeded RMB300 billion.
September 2017.	The Bank became one of the 2017 Top 500 Chinese Service Enterprises ranking 335th.
	Dagong Global Credit Rating Co., Ltd. upgraded the Bank's corporate credit rating to AAA.
October 2017	China Lianhe Credit Rating Co., Ltd. upgraded the Bank's corporate credit rating to AAA.

Changes in Registered Capital

At the time of the establishment of the Bank, the initial registered capital of the Bank was RMB249,272,300, to which the former shareholders of the Predecessors Credit Cooperatives contributed with net assets[1] of the Predecessors Credit Cooperatives and the New Investors contributed in cash.

Note:

(1) The shareholding percentage in the Bank of the former shareholders of fifteen of the Predecessors Credit Cooperatives was calculated based on the registered capital of the relevant Predecessors Credit Cooperatives pursuant to applicable regulations as the value of their net assets was less than their registered capital. The said differences in the value of the net assets of the fifteen Predecessors Credit Cooperatives were rectified pursuant to the reduction of the registered share capital of the Bank in 2002.

Upon several changes in the registered capital and the introduction of new shareholders, as of the Latest Practicable Date, the registered capital of the Bank has increased to RMB4,678,776,901. The changes in the Bank's registered capital were summarized as follows:

2002-2004. . . . . Pursuant to the resolution of the shareholders' meeting of the Bank in October 2002, the registered capital of the Bank was decreased by RMB46,447,800 as a result of share clearance.

In accordance with the proposal approved by PBoC Nanchang Central Branch (中國人民銀行南昌中心支行), the registered capital of the Bank was increased by RMB120 million, of which (i) Jiangsu Xingcheng Group Co., Ltd. (江蘇興澄集團有限公司) subscribed for 50 million Shares; (ii) D'Long International Strategic Investment Company Limited (德隆國際戰略投資有限公司) subscribed for 40 million Shares; and (iii) Nanchang Municipal Bureau of Finance subscribed for 30 million Shares. The consideration of the above Share subscription is RMB1.00 per Share, which was determined with reference to the then registered capital of the Bank.

The registered capital of the Bank had become RMB322,824,500 after the above changes.

2006. . . . . The registered capital of the Bank was increased to RMB1,001,301,500 as a result of the Shares subscription by Jiangling Automobile Group Finance Co., Ltd. and (江鈴汽車集團財務有限公司) and 20 other corporate and institutional shareholders at a consideration of RMB1.00 per Share, which was determined with reference to the then registered capital of the Bank.

2007. . . . . The registered capital of the Bank was increased to RMB1,182,067,500 due to the allotment and issuance of 180,766,000 Shares by the Bank to the Bank's then employees at a consideration of RMB1.00 per Share, which was determined with reference to the then registered capital of the Bank.

2008. . . . . The registered capital of the Bank was increased to RMB2,382,067,500 due to the Shares subscription by seven then existing shareholders and 23 new shareholders at a consideration of RMB1.30 per Share, which was determined with reference to the net assets of the Bank as of December 31, 2006.

2013. . . . . The registered capital of the Bank was increased to RMB2,782,067,500 due to the Shares subscription by seven then existing shareholders and six new shareholders at a consideration of RMB3.10 per Share, which was determined with reference to the net assets of the Bank as of June 30, 2011.

2015 . . . . The registered capital of the Bank was increased by RMB271,709,401 as a result of the acquisition of Jingdezhen City Commercial Bank. Please see "— Major Acquisition" for more details.

In November 2015, Jiangxi Expressway Investment, Jiangxi Financial Holding Group Co., Ltd. (江西省金融控股集團有限公司 ("**Jiangxi Financial Holding**"), Jiangxi Provincial Investment Group Co., Ltd. (江西省投資集團有限公司), China National Tobacco Corporation Jiangxi Branch (中國煙草總公司江西省公司) and Jiangxi Provincial Financial Department (江西省財政廳) (the "**New Shareholders**") subscribed for 935 million Shares, 280 million Shares, 180 million Shares, 180 million Shares and 50 million Shares, respectively at a consideration of RMB4.35 per Share, which was determined with reference to the net assets of the Bank as of December 31, 2014. The capital injection by the New Shareholders was completed in December 2015. The registered capital of the Bank was further increased by RMB1,625,000,000 as result of the Shares subscription by the New Shareholders. No special right that does not extend to all Shareholders, was offered to the New Shareholders of the above Shares subscriptions.

The registered capital became RMB4,678,776,901 after the above changes.

The PRC legal advisors of the Bank, Zhong Lun Law Firm, are of the view that, though there were certain defects in the above changes in the Bank's share capital, because the Bank has (i) completed its internal decision-making process, (ii) obtained the approvals or confirmations from the relevant competent PRC regulatory authorities, (iii) completed the procedure for capital verification, (iv) completed the registration procedure with the relevant local office of the State Administration for Industry and Commerce of the PRC, and (v) obtained confirmation from the Jiangxi Government stating that the establishment of the Bank and the changes in the share capital of the Bank complied with the relevant PRC laws and regulations in general, the defects in respect of the PRC laws and regulations in the above changes in the Bank's share capital do not and will not result in any material legal impediment under the relevant PRC laws and regulations in relation to the Listing.

Major Acquisition

On February 9, 2015, the General Office of the People's Government of Jiangxi Province (江西省人民政府辦公廳) issued the Notice on Circulating the Minutes of the First Joint Conference and Mobilization Meeting regarding the Establishment of Jiangxi Bank Co., Ltd. (Ganfutingzi [2015] 13)《江西省人民政府辦公廳關於印發江西銀行組建工作第一次聯席會議暨組建動員會議紀要的通知》(贛府廳字 [2015]13號), which proposed the establishment of Jiangxi Bank Co., Ltd. and the acquisition of Jingdezhen City Commercial Bank by the Bank. On September 22, 2015, the Jiangxi Government issued the Notice on the Circulation of Establishment Plan for Jiangxi Bank Co., Ltd. (《關於印發江西銀行股份有限公司組建方案的通知》), which approved the establishment plan passed in the shareholders' general meeting of the Bank and Jingdezhen City Commercial Bank, respectively. On September 25, 2015, the Bank and Jingdezhen City Commercial Bank entered into a merger and acquisition agreement, pursuant to which the Bank acquired the entire equity interest of Jingdezhen City Commercial Bank and issued Shares as consideration to the shareholders of Jingdezhen City Commercial Bank (the "**Acquisition**"). Each shareholder of Jingdezhen City Commercial Bank who applied to subscribe the Shares was allotted one Share for every 2.62 shares of Jingdezhen City Commercial Bank that he/it held before the Acquisition. The basis of the consideration was determined with reference to the valuation of the net assets of the Bank and Jingdezhen City Commercial Bank as of December 31, 2014. On December 3, 2015, the

CBRC approved the Acquisition by issuing the Approval of the Acquisition of Jingdezhen City Commercial Bank by Nanchang Bank (Yinjianfu [2015] 658)《關於南昌銀行吸收合併景德鎮市商業銀行的批覆》(銀監覆[2015]658號).

The PRC legal advisors of the Bank, Zhong Lun Law Firm, have confirmed that the Group has completed fund verification procedures and registration procedures with the relevant local office of the State Administration for Industry and Commerce of the PRC for the Acquisition in December 2015, and the Bank has obtained approval or confirmation for the Acquisition from the banking supervision and administration authorities.

Material Historical Replacement of Non-performing Assets

Pursuant to the Notice on Circulating the Minutes of the Enlarged Leading Group Conference regarding the Replacement of Non-performing Assets of Nanchang City Commercial Bank (《印發關於南昌市商業銀行不良資產置換工作領導小組擴大會議紀要的通知》) (the "**Notice**") and the Notice on Circulating the Minutes the Coordination Conference regarding the Replacement of Non-performing Assets of Nanchang City Commercial Bank (《印發關於南昌市商業銀行不良資產置換工作協調會議紀要的通知》) issued by the General Office of the People's Government of Nanchang (南昌市人民政府辦公廳), the Bank and Nanchang Hongyin Asset Management Co., Ltd. (南昌洪銀資產經營管理有限責任公司), an independent third party which was established pursuant to the Notice, entered into the Agreement on Replacement of Assets (《資產置換協議書》) on December 31, 2004, which was supplemented by two supplemental agreements entered into in January 2005 and December 2007, respectively. The Bank transferred non-performing assets with a net carrying amount of RMB2,084,354,461.82 and the relevant interest to Nanchang Hongyin Asset Management Co., Ltd. for a consideration of RMB1,919,354,461.82 and certain land use right, which was determined with reference to the valuation of the land use right. The replacement of the non-performing assets was completed in December 2007.

For details of the disposal of non-performing assets by the Group during the Track Record Period, please see "Risk Factors – Risks Relating to the Group's Business – The Group disposed of certain loan assets during the Track Record Period and should the Group unable to dispose or transfer such assets in the future, the Group's liquidity, financial condition and results of operation may be affected".

SUBSIDIARY OF THE BANK

As of the Latest Practicable Date, the Bank had only one subsidiary, Jiangxi Financial Leasing, which was established in Jiangxi Province, the PRC on November 24, 2015 with the registered capital of RMB2.02 billion. As of the Latest Practicable Date, Jiangxi Financial Leasing was owned as to 75.74% by the Bank and the remaining 24.26% of the issued share capital of Jiangxi Financial Leasing was held by Loong Flying Group Co., Ltd. (龍躍實業集團有限公司), Nanchang Construction Engineering Co., Ltd. (南昌市建築工程集團有限公司), Jiangxi Zhongmei Technology Group Co., Ltd. (江西中煤科技集團有限責任公司), Zhonglian Construction Group Co., Ltd. (中聯建設集團股份有限公司) (formerly known as Jiangxi Zhonglian Construction Group Co., Ltd. (江西中聯建設集團有限公司)) and Jiangling Motors Co., Group (江鈴汽車集團公司) as to 10.40%, 4.46%, 4.46%, 3.47% and 1.49%, respectively. By virtue of being a substantial shareholder of Jiangxi Financial Leasing, Loong Flying Group Co., Ltd. is the Bank's connected person. All the other above shareholders of Jiangxi Financial Leasing are independent third parties of the Bank. Jiangxi Financial Leasing principally engages in financial leasing and economic consulting.

INVESTMENTS OF THE BANK

As of the Latest Practicable Date, the Bank, as the chief promoter, promoted five village and township banks and the details of these village and township banks are set out in the following table:

Village and township bank	Date of establishment	Location	Registered Capital	Shareholding Percentage held by the Bank[1]	Principal business
			(RMB)	(%)	
Nanchang Dafeng County Bank	September 30, 2010	Nanchang, Jiangxi Province, the PRC	220,000,000	28.18	Operating businesses approved by the banking regulatory commission in China according to relevant laws, administrative regulations and other rules. The scope of business is subject to those listed in the approval documents. (For the items subject to approval according to laws, the operating activities could only be carried out upon approval from relevant authorities.)
Siping Tiedong Defeng County Bank . .	July 22, 2011	Siping, Jilin Province, the PRC	30,000,000	20	Operating businesses approved by the banking regulatory commission in China according to relevant laws, administrative regulations and other rules. The scope of business is subject to those listed in the approval documents. (For the items subject to approval according to laws, the operating activities could only be carried out upon approval from relevant authority.)

Village and township bank	Date of establishment	Location	Registered Capital	Shareholding Percentage held by the Bank[1]	Principal business
			(RMB)	(%)	
Nanfeng Judu County Bank	December 20, 2011	Fuzhou, Jiangxi Province, the PRC	50,000,000	30	Deposits taking from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting instruments; engaging in inter-bank lending; engaging in bank card business; acting as the issuing agent, cashing agent and underwriter of government bonds; collecting and making payment as agents; other businesses approved by the banking regulatory authorities (For the items subject to approval according to laws, the operating activities could only be carried out upon approval from relevant authority.)
Jinxian Ruifeng County Bank	June 15, 2012	Nanchang, Jiangxi Province, the PRC	50,000,000	30	Deposits taking from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting instruments; acting as the issuing agent and cashing agent of government bonds; engaging in inter-bank lending; engaging in bank card business; collecting and making payment as agents and acting as the insurance agent; other businesses approved by the banking regulatory authorities (carried out based on effective financial license).

Village and township bank	Date of establishment	Location	Registered Capital	Shareholding Percentage held by the Bank[1]	Principal business
			(RMB)	(%)	
Guangchang Nanyin County Bank	December 30, 2013	Fuzhou, Jiangxi Province, the PRC	50,000,000	30	Deposits taking from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting instruments; engaging in inter-bank lending; engaging in bank card business; acting as the issuing agent, cashing agent and underwriter of government bonds; collecting and making payment as agents; other businesses approved by the banking regulatory authorities.

Note:

(1) The remaining issued share capital was held by various independent third parties.

ISSUANCE OF BONDS

Issuance of Subordinated Bonds and Tier-two Capital Bonds

In December 2011, the Bank issued subordinated fixed interest rate bonds with a maturity of ten years and face value of RMB1.0 billion. The coupon interest rate per annum is 6.80%. The Bank had an option to redeem the bonds at the end of the fifth year. The Bank exercised its redemption right on December 30, 2016 and redeemed a total of RMB1.0 billion subordinated bonds.

In June 2017, the Bank issued fixed-rate tier-two capital bonds with a maturity of ten years and face value of RMB3.0 billion. The coupon interest rate per annum is 5%. The Bank had an option to redeem the bonds at the end of the fifth year.

In September 2017, the Bank issued fixed-rate tier-two capital bonds with a maturity of ten years and face value of RMB3.0 billion. The coupon interest rate per annum is 5%. The Bank had an option to redeem the bonds at the end of the fifth year.

Issuance of Financial Bonds

In May 2013, the Bank issued fixed-rate financial bonds with a maturity of three years, face value of RMB3.0 billion and a coupon interest rate of 4.64% per annum.

In May 2013, the Bank issued fixed-rate financial bonds with a maturity of five years, face value of RMB2.0 billion and a coupon interest rate of 4.80% per annum.

In July 2016, the Bank issued fixed-rate green bonds with a maturity of three years, face value of RMB3.5 billion and a coupon interest rate of 3.41% per annum.

In July 2016, the Bank issued fixed-rate green bonds with a maturity of five years, face value of RMB1.5 billion and a coupon interest rate of 3.70% per annum.

In August 2016, the Bank issued fixed-rate green bonds with a maturity of three years, face value of RMB1.5 billion and a coupon interest rate of 3.20% per annum.

In August 2016, the Bank issued fixed-rate green bonds with a maturity of five years, face value of RMB1.5 billion and a coupon interest rate of 3.48% per annum.

Issuance of certificates of interbank deposit

In 2015, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB17,920 million and duration between one to 12 months. The effective interest rates ranged from 2.80% to 5.20% per annum.

In 2016, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB56,310 million and duration between one to 12 months. The effective interest rates ranged from 2.55% to 5.49% per annum.

In 2017, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB83,230 million and duration between one to 12 months. The effective interest rates ranged from 3.85% to 5.40% per annum.

For details of the Bank's issuance of debt securities, see "Financial Information – Capital Resources – Debt – Debt Securities Issued".

SHAREHOLDING AND CORPORATE STRUCTURE

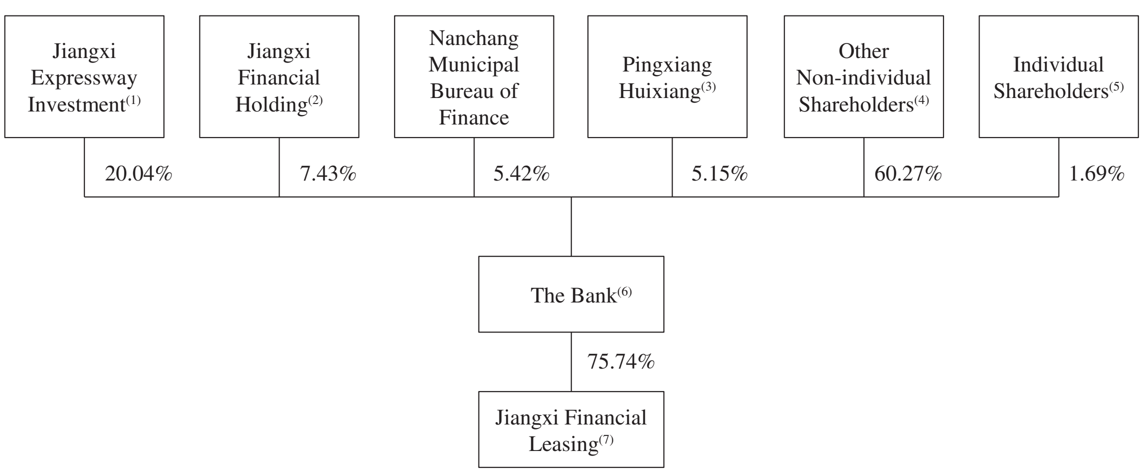
Shareholding Structure

As of the Latest Practicable Date, the Bank had 315 non-individual Shareholders and 9,206 individual Shareholders, all of which were domestic Shareholders, holding in aggregate approximately 98.31% and 1.69% of the Shares, respectively. Among them, four Shareholders were directly interested in 5% or more of the total issued Shares, namely Jiangxi Expressway Investment, Jiangxi Financial Holding, Nanchang Municipal Bureau of Finance and Pingxiang Huixiang Construction Development Co., Ltd. (萍鄉市滙翔建設發展有限公司) ("**Pingxiang Huixiang**") , which held approximately 20.04%, 7.43%, 5.42% and 5.15% of the total issued Shares, respectively. To the best knowledge of the Bank after making due and careful inquiries, Jiangxi Expressway Investment, Jiangxi Financial Holding, Nanchang Municipal Bureau of Finance and Pingxiang Huixiang are independent from each other. For details of these four Shareholders, please see "Substantial Shareholders". As of the Latest Practicable Date, no nominee arrangement is involved in the Shares held by the Shareholders whose shareholding had been verified.

As of the Latest Practicable Date, the Bank was unable to verify the shareholding of 76 non-individual Shareholders and 535 individual Shareholders, holding approximately 0.18% and 0.04% of the Shares, respectively. The existence of any of such Shareholders whom the Bank is unable to contact has no material adverse impact on the ability to carry out corporate actions, such as convening Shareholders' general meetings, declaring dividends and implementing the Listing.

Immediately prior to the Global Offering

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



Notes:

(1) Jiangxi Expressway Investment is the single largest Shareholder and one of the state-owned Shareholders. It is wholly-owned by Jiangxi Provincial Communication Department (江西省交通廳) and primarily engaged in the investment, financing, construction, operation and management of expressways.

(2) Jiangxi Financial Holding is one of the state-owned Shareholders. It is wholly-owned by Asset Management Center of Administrative Institutions in Jiangxi Province (江西省行政事業單位資產管理中心), which is in turn wholly-owned by Jiangxi Provincial Department of Finance (江西省財政廳). Jiangxi Financial Holding is an investor for local financial institutions and management platform of financial assets in Jiangxi Province. As of the Latest Practicable Date, 38.02% of the Shares held by Jiangxi Financial Holding were pledged. Such pledge of Shares will be enforced if Jiangxi Financial Holding is in default of its obligations to the relevant creditor.

(3) Pingxiang Huixiang is one of the state-owned Shareholders. It is owned by Pingxiang Huifeng Investment Co., Ltd. (萍鄉市匯豐投資有限公司), Jiangxi Zhenxing Fazhan Huixiang Yihao Investment Center L.P. (江西振興發展匯翔一號投資中心(有限合伙)), China Nongfa Key Construction Fund Co., Ltd. (中國農發重點建設基金有限公司) and Pingxiang New District Construction and Installation Corporation (萍鄉市新區建築安裝總公司) as to 45.57%, 40.97%, 9.32% and 4.14%, respectively. The principal business of Pingxiang Huixiang includes comprehensive development of urban and rural area.

(4) As of the Latest Practicable Date, 311 other non-individual shareholders held approximately 60.27% of the Shares in aggregate. The shareholding percentage of each of these non-individual shareholders does not exceed 5.00%.

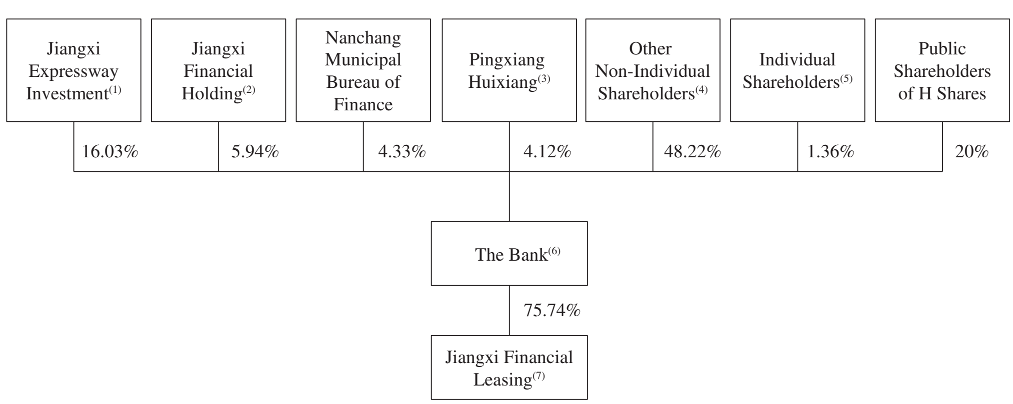
(5) As of the Latest Practicable Date, 9,206 individual shareholders held approximately 1.69% of the Shares in aggregate. The shareholding percentage of each of these individual shareholders does not exceed 5.00%.

(6) As of the Latest Practicable Date, 844,543,758 Shares (representing approximately 18.05% of the Shares) held by 34 Shareholders were pledged, and 54,822,680 Shares (representing 1.17% of the Shares) held by 13 Shareholders were frozen by several judicial bodies. According to the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), Provisions regarding Issues in the Execution Work of People's Court Issued by the Supreme People's Court (Trial) (《最高人民法院<關於人民法院執行工作若干問題的規定>(試行)》) and Notice regarding Strengthening the Information Cooperation and Regulation of Execution and Assistance to Execution Issued by the Supreme People's Court and the SAIC (《最高人民法院、國家工商總局<關於加強信息合作規範執行與協助執行的通知>》), the PRC legal advisors of the Bank, Zhong Lun Law Firm, have confirmed that without the permission of relevant court, Shares frozen by judicial bodies shall not be transferred and the holders of such Shares shall not pledge or create any encumbrances on such Shares and no dividends for such Shares shall be distributed to the relevant Shareholders. The PRC legal advisors of the Bank, Zhong Lun Law Firm, are of the view that the above freezing of Shares will not have any material adverse effect on the shareholding structure and continued operations of the Bank and will not result in any material legal impediment under the relevant PRC laws and regulations in relation to the Listing.

(7) As of the Latest Practicable Date, the remaining 24.26% of the issued share capital of Jiangxi Financial Leasing is held by Loong Flying Group Co., Ltd. (龍躍實業集團有限公司), Nanchang Construction Engineering Co., Ltd. (南昌市建築工程集團有限公司), Jiangxi Zhongmei Technology Group Co., Ltd. (江西中煤科技集團有限責任公司), Zhonglian Construction Group Co., Ltd. (中聯建設集團股份有限公司) and Jiangling Motors Co., Group (江鈴汽車集團公司) as to 10.40%, 4.46%, 4.46%, 3.47% and 1.49%, respectively. By virtue of being a substantial shareholder of Jiangxi Financial Leasing, which is a non-wholly owned subsidiary of the Bank, Loong Flying Group Co., Ltd. is the Group's connected person. All the other above shareholders of Jiangxi Financial Leasing are independent third parties of the Bank.

Immediately after the Completion of the Global Offering

The following chart sets forth the Group's shareholding structure immediately following the completion of the Global Offering, assuming no exercise of the Over-allotment Option and no change in shareholding by each of the Shareholders listed below after the Latest Practicable Date.

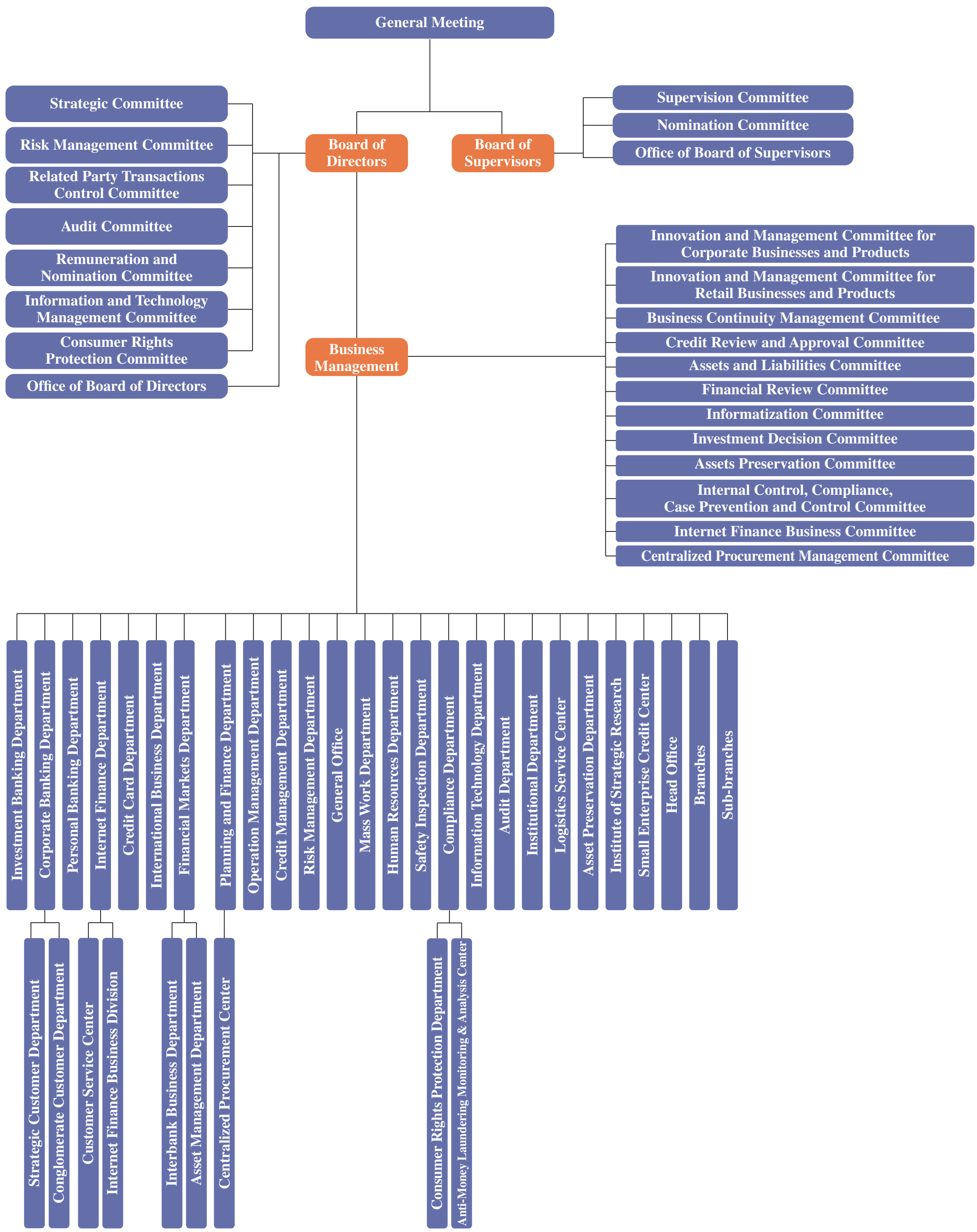


Note:

(1) – (7) Please see corresponding notes on pages 132 and 133 as above.

Organizational Structure

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



Corporate Governance Structure

The Bank has established a corporate governance structure which comprises the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management.

Board of Directors

The Board of Directors is accountable to the Shareholders' general meeting and consists of professionals with diversified backgrounds and qualifications. The major responsibilities of the Board of Directors include determination of policies in relation to business planning, investment planning, risk management, internal control and compliance, determination and supervision of the execution of business strategies, formulating capital replenishment plans, listing plans and the appointment and dismissal of the senior management of the Bank. The Board of Directors delegates certain powers to its special committees, including the strategic committee, the audit committee, the remuneration and nomination committee, the related party transactions control committee, the risk management committee, the information and technology management committee and the consumer rights protection committee. Each committee shall report to the Board of Directors. For details of the functions of each committee, please see "Directors, Supervisors and Senior Management – Committees under the Board of Directors".

Board of Supervisors

The Board of Supervisors is accountable to the Shareholders' general meeting and is primarily responsible for supervising the performance of the Board and the senior management as well as financial activities, risk management and internal control. The Board of Supervisors conducts special surveys on specific areas and attends important meetings in order to understand the operation and management of the Bank and provides supervisory advice, and also supervises the implementation of such advice from time to time. The Board of Supervisors has established a nomination committee and a supervision committee, which shall report to the Board of Supervisors.

Senior Management

The senior management of the Bank has the powers vested by the Board of Directors to manage the daily operations of the Bank. The president of the Bank is primarily responsible for carrying out the decisions made by the Board of Directors and shall report to the Board of Directors. The Bank has also appointed four vice presidents to work with the president of the Bank and perform their respective management responsibilities.

Operational Reform

To meet the requirement of the development of the Bank and the industry's regulation, the Bank has continuously sought to improve its management and operations and have implemented reform and improvement measures in areas including corporate governance, organizational structure, risk management, human resources and information technology. For further information, please see "Business" and "Risk Management".

The Party Organizations

According to the PRC Company Law and "The Constitution of the Communist Party of China", the Bank established the Committee of Communist Party and the Committee for Discipline Inspection (collectively the **"Party Organizations")**, which play a core political role in the Bank. The Party Organizations mainly assumes the following responsibilities:

- building a fine party culture and keep its organizations clean;
- ensuring the implementation of policies and strategies of the PRC and the Communist Party of China;
- supporting the Board of Directors, the Board of Supervisors and the senior management of the Bank to discharge their respective duties and responsibilities in accordance with applicable laws and regulations;
- supporting the employees representatives' meeting of the Bank to exercise its rights and discharge its responsibilities;
- participating in the decision making process of the major issues of the Bank by providing opinions and recommendations to the Board;
- enhancing the construction of the Party Organizations;
- leading the ideological and political work as well as the cultural and ideological progress; and
- exercising leadership among the labor union, the communist youth league and other mass organizations of the Bank.

OVERVIEW

The Bank is the only provincial city commercial bank in Jiangxi Province, China. In 2017, the Bank ranked 329th among the "Top 1000 World Banks" in terms of tier-one capital as of December 31, 2016 and 22nd among all PRC city commercial banks in terms of total assets as of December 31, 2016 by *The Banker*. According to the PBoC, in terms of balance of RMB-denominated deposits at the end of 2017, the Bank ranked sixth among all banks in Jiangxi Province and first among all banks in Nanchang.

The Group has established a broad business network covering Jiangxi Province with strong support from branches located in Guangzhou and Suzhou. The strategic layout of its business network allows the Group to hold a strong market leading position in Jiangxi Province, while effectively penetrating into the Pearl River Delta and Yangtze River Delta Economic Zones. Through years of efforts, the Group has successfully established and enhanced its long-term relationships with government agencies, public institutions and enterprises with strategic importance in Jiangxi Province and China. As of the Latest Practicable Date, the Group's corporate banking customers included many quality state-owned and private enterprises in Jiangxi Province, covering a wide range of industries. In addition, as of December 31, 2017, the Group has entered into strategic cooperation agreements with nearly 20 governments at the level of municipality, district or county, and more than 100 large enterprise groups, allowing it to get priority in participating in large-scale projects in these areas.

The Group has grown rapidly during the Track Record Period. The Group's total assets increased by 75.0%, from RMB211.4 billion as of December 31, 2015 to RMB370.0 billion as of December 31, 2017. The Group's operating income increased from RMB6,892.3 million for the year ended December 31, 2015 to RMB9,452.3 million for the year ended December 31, 2017. The Group's net profit increased from RMB772.8 million for the year ended December 31, 2015 to RMB2,914.8 million for the year ended December 31, 2017.

The Bank has been highly recognized for its outstanding performance and has received a number of prominent awards over the years. The following sets forth certain awards and honors that the Bank has received during the Track Record Period:

- In 2017, the Bank ranked 329th among the "Top 1000 World Banks" in terms of tier-one capital as of December 31, 2016 by *The Banker*;

- In 2016 and 2017, the Bank was awarded the "Best Internet Finance Business Innovation Award of Regional Commercial Banks" ("年度區域性商業銀行最佳互聯網金融業務創新獎") by China Financial Certification Authority;

- In 2017, the Bank was awarded the "UnionPay Credit Card Marketing Outstanding Award for 2016" ("2016年銀聯信用卡推廣新銳獎"), the "Outstanding Advancement Award for UnionPay Credit Card Business for 2016" ("2016年銀聯信用卡業務飛躍獎") and the "Yun Shan Fu Marketing Pioneer Award for 2016" ("2016年銀聯雲閃付推廣先鋒獎") by China UnionPay;

- In 2017, the Bank was granted the "Outstanding Member in China's Bond Market for 2016 – Outstanding Advancement in Bond Business Award" ("2016年度中國債券市場優秀成員 – 債券業務進步獎") by China Central Depository & Clearing Co., Ltd;

- In 2017, the Bank was awarded the "Most Outstanding Influential Financial Brand in China for 2016" ("2016年度卓越影響力金融品牌獎") at the first China Financial Brand Summit Forum jointly held by Financial Times, China Financial News, China Financialyst and Shanghai Financial Newspaper;

- In 2016, the Bank was awarded the "Most Innovative Financial Business Award" ("最佳金融創新獎") at the Chinese Innovation Forum of Internet Finance and Banking Industry and 2016 China Financial Innovation Awards jointly held by The Banker, Financial Products Center of Institute of Finance and Banking of Chinese Academy of Social Science, Banker Research Center and Internet Finance Institute of Central University of Finance and Economics;

- In 2015, the Bank was awarded the "Best City Commercial Bank Award for Interbank Local Currency Market Award in 2015" ("2015 年度銀行間本幣市場最佳城市商業銀行獎") by National Interbank Funding Center; and

- In 2015, the Bank was awarded the "2015 Internet Finance Business Innovation Award of Regional Commercial Banks" ("2015年區域性商業銀行互聯網金融業務創新獎") by China Financial Certification Authority.

THE GROUP'S COMPETITIVE STRENGTHS

Being the only provincial city commercial bank in Jiangxi Province, the Group benefited significantly from rapid economic growth in Jiangxi Province in recent years, which exceeded most parts of China. In addition, through its visionary strategic layout in Pearl River Delta and Yangtze River Delta Economic Zones, the Group successfully achieved resource complementarity and coordinated development among different business arms.

Benefiting from its strategic geographic location and relevant favorable policies, Jiangxi Province has become one of China's fastest economically developing provinces in recent years, and is expected to sustain this momentum of rapid development in the near future. Occupying a favorable market position and strong influence as the only provincial city commercial bank in Jiangxi Province, the Bank has effectively grasped financial opportunities brought up by the rapid development of Jiangxi Province, and successfully established a late-mover advantage among China's city commercial banks. The Bank continues to achieve substantial recognition in the market. Based on its tier-one capital as of December 31, 2016, the Group ranked 329th among the "Top 1000 World Banks" according to *The Banker* in 2017 and 22nd among China's city commercial banks. The Group's total assets increased from RMB211.4 billion as of December 31, 2015 to RMB313.7 billion as of December 31, 2016, and further increased to RMB370.0 billion as of December 31, 2017. According to the PBoC, the Bank ranked sixth among all commercial banks in Jiangxi Province and first among all commercial banks in Nanchang in terms of balance of RMB-denominated deposits at the end of 2017.

In recent years, with China's growing emphasis on the balanced development of foreign and domestic demand, Jiangxi Province, benefiting from its geographic location and various favorable PRC policies, has achieved rapid growth since 2012. According to the NBS, Jiangxi Province's GDP reached RMB1,850 billion in 2016. Occupying a strategic location in Central China and on the Yangtze River Economic Belt, Jiangxi Province plays a vital function of channeling goods, products and services between developed regions in China, such as the Pearl River Delta and Yangtze River Delta, and inland regions in north and west China. Benefiting from the "Yangtze River Economic Belt" national strategy in China, "Eight-vertical and Eight-horizontal (八縱八橫)" high-speed railway network plan, and the "Belt and Road (一帶一路)" initiative, Jiangxi Province has fully grasped the opportunity to develop and upgrade its own economy. As a result, it has been recognized as an important base for China's industrial transfer and product supply, a primary market for domestic demand, and a vital transit logistics hub. In addition, the PRC Government has promulgated various favorable policies that directly benefit Jiangxi Province, which further granted it with strong growth potential. For example, according to "*Opinions on Supporting the Revitalization and Development of the Former Central Soviet Area in Areas such as Southern Jiangxi* (關於支持贛南等原中央蘇區振興發展的若干意見)" promulgated by the State Council, the PRC Government has established specific development targets for Jiangxi Province's infrastructure construction, industrial development planning and public service sectors, especially those in Southern Jiangxi. In June 2016, the State Council approved the establishment of Ganjiang River New Area (贛江新區) in Jiangxi Province, which became the second national-level new area in Central China, one of China's first five "Pilot Zones for Green Finance Reform and Innovation (綠色金融改革創新試驗區)" and a pivotal component of the "Yangtze River Economic Belt" national strategy. Meanwhile, Jiangxi Province's 13th Five-Year Plan has promoted strategic plans to encourage the development of its banks and financial enterprises, providing new opportunities for deepening the rapid development of Jiangxi's financial industry.

The Bank acquired Jingdezhen City Commercial Bank in December 2015 according to the approvals from Jiangxi Provincial Government and the CBRC. Being the only provincial city commercial bank in Jiangxi Province, the Group has established and maintained good relationships with PRC Government at different levels and leading institutions and enterprises in Jiangxi Province, which allows it to enjoy the priority in capturing the advantages and opportunities that stem from economic growth therein. For instance, in 2016, the Group became one of the first banks in China, and the first bank in Jiangxi Province, to issue the green bond. As a result, the Group has successfully established its leading position in providing financial services for projects in green industry, such as environmental protection and energy conservation, pollution prevention and control, ecological protection, resource conservation, and recycling. In 2017, the Bank was awarded AAA credit ratings by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司) and China Lianhe Credit Rating Co., Ltd. (聯合資信評估有限公司). Only 23 other China city commercial banks were awarded credit ratings of this level for the same period. In addition, the Group established Jiangxi Financial Leasing in November 2015 to provide financial leasing services and transfer and receipt of financial leasing assets, effectively forming good synergies with other financial services of the Group. Jiangxi Financial Leasing was granted an AA+ corporate long-term credit rating by China Lianhe Credit Rating Co., Ltd. (聯合資信評估有限公司) in September 2016.

Leveraging its comprehensive outlet network, the Group has established a strong competitive edge in terms of efficient optimization of fund allocation within Jiangxi Province with the capacity of quickly capturing business opportunities that are brought by regional economic development. As of December 31, 2017, the Group had 278 outlets and held stake in five village and township banks, which together achieved full coverage of 11 districted cities and 87.0% of counties in Jiangxi Province. In addition, the Group implemented its "One Body, Two Wings (一體兩翼)" trans-regional strategy, according to which, it successfully seized valuable opportunities in establishing its Guangzhou Branch and Suzhou Branch to spear into the Pearl River Delta and Yangtze River Delta. This layout enabled the Group to penetrate more effectively into relevant local markets and better serve its customers' inter-provincial financial needs. As a result, the Group managed to establish its brand recognition and cultivate a management team with necessary expertise outside Jiangxi Province. In 2015, 2016 and 2017, the Group's income from outside Jiangxi Province reached RMB414.1 million, RMB731.5 million and RMB696.2 million, respectively. As of December 31, 2015, 2016 and 2017, the Group's assets from outside Jiangxi Province reached RMB11,537.1 million, RMB16,761.3 million and RMB20,170.2 million, respectively.

Capitalizing on its deep understanding of the characteristics of the regional economy, the Group has expanded comprehensive corporate banking business. It has also seized opportunities to provide competitive products and services for small and micro enterprises.

As the only provincial city commercial bank in Jiangxi Province, the Bank has upheld the concept of being "Jiangxi Province's own bank (江西省自己的銀行)". Through continuous development and enhancement of cooperative relationships with PRC Government, enterprises and institutions of different levels or sizes, the Group managed to penetrate into major economic development projects across Jiangxi Province and sustained the rapid growth of its corporate banking business throughout the Track Record Period. As of December 31, 2016, the Group's corporate loans amounted to RMB78.2 billion, representing an increase of 23.1%, from December 31, 2015; while the Group's corporate deposits amounted to RMB145.4 billion, representing an increase of 38.3% from December 31, 2015, both of which exceeded the average growth rate of the banking industry in Jiangxi Province over the same period. As of December 31, 2017, the Group's corporate loans and corporate deposits amounted to RMB82.1 billion and RMB184.1 billion, respectively.

As of December 31, 2017, the Group provided financial services to major projects in 11 cities, 23 districts and 76 counties in Jiangxi Province. In addition, as of December 31, 2017, the Group has entered into strategic cooperation agreements with nearly 20 municipal, district or county governments in Jiangxi Province and more than 100 enterprises. In accordance with such strategic agreements, the Group can enjoy priority in participating in economic development projects of, providing financial services to, and cooperating with, relevant parties. During the Track Record Period, the Group took proactive approach in exploring innovative means in line with PRC laws and regulations to provide financial services to enterprises in industries with strong growth potential, such as infrastructure development, sanatoria, tourism, culture and new energy industry. In addition, through cooperating with district and county governments in Jiangxi Province, the Group provided financial and social security account services, and actively participated in financial services for various government-led projects in relation to medical reform, transportation reform, infrastructure reform, community financial services and other business initiatives, deepening the Group's interactions with the local economy.

In line with China's policy orientation in supporting development of the real economy, particularly, those policies that directly impact the future development of Jiangxi Province, the Group successfully launched a number of well-received corporate banking products and services through business innovation and expansion. For example, in 2014, the Group launched "Caiyuan Xindai Tong (財園信貸通)" to promote the local economy, through corporation with PRC Government. This product focuses on serving quality enterprises located in leading development areas, through which, the Group could efficiently locate and develop large numbers of corporate customers with strong growth potential. As of December 31, 2016, total loans released under "Caiyuan Xindai Tong (財園信貸通)" since its introduction amounted to RMB8.0 billion, which further increased to RMB11.7 billion as of December 31, 2017. In addition, leveraging favorable policies in developing an environmentally friendly economy in Jiangxi Province, the Group actively promoted the financial products and services to clients in relevant industries.

The Group also focused on developing synergies between traditional and innovative businesses and continuously invested in improving the product portfolio and service quality of different lines of corporate banking business. Through providing services such as financial leasing, and investment banking, the Group effectively enhanced its profitability and customer loyalty. The Group obtained the first financial leasing license in Jiangxi Province and established Jiangxi Financial Leasing in November 2015. Since then, the Group's financial leasing business achieved rapid growth. For the year ended December 31, 2016, Jiangxi Financial Leasing's operating income reached RMB275.1 million. For the year ended December 31, 2017, Jiangxi Financial Leasing's operating income reached RMB330.4 million.

Through studying advanced experience in China and abroad, the Group took the lead in setting up a professional and efficient structure focusing on product development and financial services for small and micro enterprises in China. The Group continuously invested in the utilization of advanced technologies, innovation and business transformation, through which, it successfully maintained its leading market position as proved by numerous awards it has obtained. As early as 2012, by working with an internationally renowned business school, the Group has built up an organization architecture and business philosophy for small and micro enterprises banking business targeting then expected market challenges in the future. In 2015, the Group's Small Enterprise Credit Center was awarded "Outstanding Team for Financial Services to Small and Micro Enterprises among PRC Banking Financing Institutions (全國銀行業金融機構小微企業金融服務優秀團隊)" granted by the CBRC. In 2017, the Group launched "Shui e Rong (稅e融)" through cooperation with the Jiangxi Province tax authorities. This product features quick approval procedures and convenient withdrawal and repayment. In managing this product, the Group provides unsecured loans of up to RMB1.0 million to qualified small and micro enterprises with good tax records. As of December 31, 2016 and 2017, the Group's loans and advances to small and micro enterprises reached RMB58.1 billion and RMB65.4 billion, respectively, representing an increase of 12.6%.

In line with its strategy of transforming into a "profit-from-customers (由客獲利)" business model, the Group invested in innovation of technology and optimization of its business network according to a study of customers' preferences and habits in different scenes, and has successfully secured its leading position in retail banking business.

The Group's retail banking business developed rapidly during the Track Record Period, with advantages in terms of customer base, channels, product portfolio and innovation. The Group's personal loans increased from RMB19.0 billion as of December 31, 2015 to RMB26.4 billion as of December 31, 2016 and further increased to RMB44.0 billion as of December 31, 2017. The Group's personal deposits increased from RMB38.9 billion as of December 31, 2015 to RMB45.8 billion as of December 31, 2016, and further increased to RMB59.8 billion as of December 31, 2017. The Group's total number of retail banking customers increased from 2.6 million at the end of 2015 to 3.1 million at the end of 2016, and further increased to 3.6 million as of December 31, 2017.

Customers. Capitalizing on the synergies of its corporate banking business, the Group has continued to consolidate the customer base of its retail banking business. As of December 31, 2016, the Group provided social security and payroll services to over 3,900 enterprises, covering approximately 141.9 thousand and 225.3 thousand individual accounts. As of December 31, 2017, the number of enterprises and institutions receiving the Group's social security and payroll services further increased to approximately 4,300. In addition, the Group took efforts in innovating products and services to better capture market opportunities raised from the rapid economic development of Jiangxi Province. For example, in accordance with preferential policies promulgated by the PRC Government encouraging development of talents in Jiangxi Province's service industry, the Group established the first "bank for the talent (人才服務銀行)" in Jiangxi Province in December 2017. It is a specialized institution focusing on providing tailor-made, timely and quality financial services to individuals who have received well-recognized awards or honors, so that they could meet their needs for business start-up or personal consumption. This move enabled the Group to acquire a large number of quality retail banking customers on the one hand, and on the other hand, promote synergies between the retail banking business and the corporate banking business by serving the development and industrial upgrading of Jiangxi Province.

Channels. The Group has established an outlet network that covers almost entire Jiangxi Province with deep penetration into those regions. As of December 31, 2017, the Group had 278 outlets and held stake in five village and township banks, covering 11 districted cities in Jiangxi Province and 63 counties, representing approximately 87.0% of all counties across Jiangxi Province. In particular, based on its research on financial needs of retail customer groups residing in different regions, the Group established sub-branches or other types of outlet in communities with strategic importance to strategically improve community finance services. Through innovating management and marketing models, the community sub-branches staggered and/or extended its business hours, providing convenient and comprehensive financial services for residents in different communities. As of December 31, 2017, the Group had 77 community sub-branches. As of December 31, 2017, balance of customers' financial assets who have accounts opened with the Group's community sub-branches amounted to RMB6.8 billion, while the personal loans issued by the 77 community sub-branches amounted to RMB2.7 billion as of the same date. In line with the strategy of transforming the business concept from "profit-from-loans (由貸獲利)" to "profit-from-customers (由客獲利)" and to deal with substantial changes in customers' preference for financial products and services driven by a household consumption upgrade in line with economic development, the Group invested in promoting innovative personal consumption banking products and services and successfully secured a continuous leading market position in terms of innovation capacity. As of December 31, 2015 and 2016, and 2017, personal consumption loans accounted for 10.2%, 16.4% and 20.9% of the Group's personal loans, respectively. As of the same dates, personal loans other than residential mortgage loans accounted for 42.4%, 42.6% and 41.9% of the Group's total personal loans, respectively.

Product innovation. The Group has taken active steps to continuously expand the license portfolio of its retail banking business, and has used its strong financial and technological capabilities to develop products targeting different payment and financial scenes. In February 2015, the Group obtained the credit card issuance qualification and became the first city commercial bank in Jiangxi Province to launch a credit card business. In addition, to meet growing demand for convenient financial services among retail banking, the Group, capitalizing on its strong financial and technology capacity, launched different products accordingly, including "Shouji Miao Dai (手機秒貸)", "Jin e Rong (金e融)" mobile APP, and Ola Pay mobile payment series of products and services. These products successfully overcame the limitations set upon offline network services and allowed consumers to access the Group's retail banking products and services through the Internet from any geographic location. In addition, the Group launched the "Yin Yi Tong (銀醫通)" product in cooperation with hospitals to provide convenient medical payment-related services. Besides improving the patients' experiences with purchasing medical services, "Yin Yi Tong (銀醫通)" product has also enhanced market recognition for the Group's retail banking business. The "Caifu Transportation Card (財富交通卡)" products launched by the Group not only provide comprehensive retail banking services but also help customers to easily inquire about traffic violation information and pay traffic fines online. In recent years, the Group took efforts to provide different retail customer groups with differentiated services, resulting in improved service quality and customer loyalty.

The Group adopted a proactive and prudent approach in developing financial markets business, and successfully established a new engine for economic development and expanding its source of income.

The Group invested in expanding its financial markets business in a steady way. By effectively capturing market opportunities in managing financial markets business, the Group has successfully improved its profitability and mitigated risks associated with marketization of interest rates and ever-increasing competition in China. As of December 31, 2016, assets managed by the Group's financial markets business exceeded RMB174.0 billion, representing a 70.3% increase from that as of December 31, 2015. As of December 31, 2017, assets managed by the Group's financial markets business further increased to RMB202.4 billion.

The Group invested in products and services innovation in managing its financial markets business and has obtained, on multiple occasions, financial business qualifications ahead of market peers. For example, the Group issued the first interbank deposits in Jiangxi Province in 2014. In 2015, the Group became one of the first 27 city commercial banks to obtain the credit asset securitization qualification in the PRC. As of December 31, 2017, the Group's interbank deposits issued amounted to RMB27.5 billion.

In addition, the Group actively expanded its debt securities underwriting capacities. In October 2016, the Group obtained the qualification issued by NAFMII to underwrite debt financing instruments for non-financial enterprises. In 2016, the Group acted as an underwriter for 67 debt securities, with an aggregated underwriting amount of RMB14.2 billion. As of December 31, 2017, the Group acted as an underwriter for 741 debt securities, with an aggregated underwriting amount of RMB121.3 billion.

The Group focused on developing projects that comply with regulatory requirements. In addition, the Group pays close attention to check whether potential projects are in line with industry standards, featured with bearable risks or have potential to derive satisfying investment return. Through years of efforts, the Group has established a leading position in different financial markets business products, including trust plans, asset management plans and wealth management products. As of December 31, 2015, 2016, and 2017, the balance of the Group's investments in trust plans amounted to RMB31.3 billion, RMB41.9 billion and RMB67.4 billion, respectively. In addition, the Group's asset management business has witnessed rapid growth. In 2016 and 2017, the Group issued a total of 642 and 751 wealth management products, respectively, with the aggregated issuance value of RMB89.1 billion and RMB96.9 billion, respectively. In particular, leveraging its professional management team and service capabilities, the Group set up a series of products under the brand name "Yousheng Wealth Management (優盛理財)," which was highly recognized by a great number of investors for its innovativeness and strict risk control. For the years ended December 31, 2015, 2016, and 2017, the proceeds raised from the Group's wealth management products amounted to RMB71.4 billion, RMB89.1 billion and RMB96.9 billion, respectively. In July 2017, China Banking Association released an appraisal report and granted the Group's "Yousheng Wealth Management (優盛理財)" series a number of awards such as the "Best Comprehensive Wealth Management Award (最佳綜合理財能力獎)" for its excellent brand concept.

The Group implemented the strategy of "leading in technology (科技領先)" and continuously invested in improving its technological innovation capabilities to improve competitiveness, as a result of which, the Group became the forerunner in the market.

The Group attached great importance to the utilization of advanced information and financial technologies and continuously introduced products and services that could satisfactorily capture prevailing market demands and customers' preferences while manifesting innovation in underlying business model or technology being used therein. In this way, the Group gained a reputation as a "market forerunner" in many different sectors.

The Group attaches great importance to establishment and maintenance of an advanced information technology infrastructure, which is crucial to ensure efficiency of the Group's centralized management and innovation capacity of different business lines. Capitalizing on its information technology infrastructure, particularly key components like cloud computing and big-data analysis technology that the Group upgrades from time to time, the Group managed to effectively ensure stability, efficiency and security in various business lines. The Group has introduced biometric recognition technology, including facial recognition, to provide customers with more convenient and secured services, resulting in improved customer loyalty. The Group has also established backup systems at different locations within the same city to further ensure security and stability of its operations.

Through the efforts of the Group's in-house team and cooperation with third parties, the Group has successfully launched various Internet financial products and services to meet different customer needs. For example, the Group provides mobile banking and settlement services to corporate clients, which allowed them to conveniently access various banking services including transfer, remittances and investment. In managing retail banking business, the Group invested in installation and utilization of advanced equipment embodying interactive technologies throughout its branch office network, through which, customers could enjoy convenient access to a broad range of account management services, including electronic signature, investment and wealth management and fund transfer and remittance. This feature improved customers' experience while allowing the Group to analyze valuable data generated from the process of customers' operation. As a result, the Group could predict relevant customers' potential need for financial products and services utilizing its big-data analysis capacity, based on which, relevant employees could provide tailor-made suggestions and services, resulting in further improved working efficiency and profitability.

During the Track Record Period, the Group launched a broad range of innovative products designed to capture market demand for fast and convenient financial services. In late 2015, the Group launched "Jin e Rong (金e融)" mobile APP developed by itself, through which, Android and iOS mobile phone users can easily access financial services like loan application and withdrawal, deposits and making investment. "Jin e Rong (金e融)" was awarded various awards, including, "Best Internet Financial Business Innovation Award of Regional Commercial Banks (年度區域性商業銀行最佳互聯網金融業務創新獎)" granted by China Financial Certification Authority, or CFCA in 2016 and 2017 respectively and "2015 Internet Finance Business Innovation Award of Regional Commercial Banks" in 2015; "Financial Brand with Greatest Growth Potential (最具成長性金融品牌)" in 2016 during the competition for "Bauhinia Award (紫荊花獎)" jointly hosted by the China Center for Financial Research of Tsinghua University and Sina; and "Best Advertising Award in Public Marketing Competition in Financial Industry in 2016 (2016年金融業社會化營銷大賽最佳傳播獎)" granted in the 4th Financial Brand Summit jointly hosted by CFCA and over 70 commercial banks. In addition, the "Ola Pay" product developed by the Group is the first HCE-based mobile banking payment product in China that allows users to pay transportation fares of buses and subways using their mobile phones. In 2016, the Group submitted a patent application in relation to the "Ola Pay" product, which was still under review by the State Patent Office as of the Latest Practicable Date. The product won the "2016 China's Best Financial Innovation Award (2016年中國最佳金融創新獎)" at the China Financial Innovation Forum jointly hosted by The Banker, the Financial Products Center under the Institute of Finance of the Chinese Academy of Social Sciences, the Bankers Research Center and the Institute of Internet Economics of the Central University of Finance and Economics, and the "Best Financial Technology Award (最佳金融科技獎)" granted by the China Mobile Payment Industry Alliance.

In addition, during the Track Record Period, the Group completed docking between its own system and other online payment systems such as Apple Pay, Huawei Pay and HCE mobile payment. In recognition of the Group's achievements in developing and promoting UnionPay products, China UnionPay awarded the Group with the "2016 UnionPay HCE Advertising Pioneer Award (2016年度銀聯雲閃付推廣先鋒獎)" in 2016. In addition, the Bank launched its "Shouji Miao Dai (手機秒貸)" product in May 2017. With this product, the Group utilizes advanced big data analysis capacity to study loan applications submitted by clients via mobile devices. The Group can quickly complete credit rating analyses of the relevant applicants and determine loan amounts accordingly. As of December 31, 2017, the "Shouji Miao Dai (手機秒貸)" product had over 447.4 thousand registered users. Please also see the sub-section headed "– The Group's Principal Business Activities – Retail Banking" for more details on the Group's other retail banking business products.

The Group has also actively cooperated on products and technology with advanced Internet financial technology companies in China. For instance, the Group cooperated with one of the largest Internet technology companies to tap into a large pool of potential customers and receive the latest technology and market trend, which, further assisted the Group to improve its products and services. As of December 31, 2017, the Group had entered into cooperation agreements with a large number of Internet financial companies to offer services such as fund custody and payment settlement. According to "Online Lending House (網貸之家)" magazine, the Group is a leading bank in China in providing fund depository services to Internet finance platforms in terms of number of institutions being served. In addition, the Group established Jiangxi Bank's Internet banking division in October 2017, laying the foundation for the further professionalization of Internet financial products and services.

The Group has established a sound risk management system and steadily improved the quality of its assets while achieving business expansion.

The Group has established a vertical, comprehensive and integrative risk control system. Leveraging its advanced risk control technology, prudent risk management policy, and efficient risk management capabilities, the Group can effectively monitor, forecast, prevent and handle various risks associated with its business operation. As a result, quality of the Group's assets continued to improve throughout the Track Record Period. As of December 31, 2015, 2016 and 2017, the Group's NPL ratios were 1.81%, 1.68% and 1.64%, respectively, and the Group's allowance coverage ratios were 218.93%, 210.94% and 215.17%, respectively.

Led by the Board of Directors, the Group's senior management, departments and branches have cooperated to form a three-line risk management structure, where employees from front, middle and back stage business units work together to effectively manage different risks. In respect of credit risks, the Group established an internal rating system to generate rating results that could be used for policy formulation, credit assessment, credit management and post-disbursement management. In addition, the Group took a proactive approach to improve the quality of loans and prioritize the development of premium customers, resulting in the steady improvement in quality of its asset portfolio. To effectively mitigate market risks, the Group adjusts its internal risk management authority from time to time in accordance with prevailing market conditions and its business conditions. As a result, the Group could make timely management on risks associated with turbulence in interest rates and foreign exchange rate. For operational risks, the Group emphasized efficient communication and collaboration between its business and risk management teams. By improving relevant systems and enhancing its supervision and inspection procedures, the Group was able to effectively guard against related risks and formulate appropriate emergency measures. In response to liquidity risks, the Group constructed a real-time monitoring and reporting system for customers with different ratings. Combining results generated by this system with analysis on market dynamics, the Group could make timely forecasts and corresponding adjustments in asset allocation to effectively mitigate relevant risks. In addition, the Group pays close attention to the anticipation and management of reputation risks, and has set up teams of experts and specific mechanisms to mitigate relevant risks.

The Group focused on the implementation of, and updates to its risk management system. In particular, the Group invested in application of advanced risk management techniques and is determined to retain qualified risk management experts to whom the Group provides regular training. The Group has established and continuously improved its risk management policies and implementation rules to balance risks and benefits. In particular, the Group invested in utilizing advanced technologies to improve efficiency of risk management and prevention. For instance, the Group adopted advanced big-data analysis and modeling technologies to prepare preliminary rating assessment results for applicants, which could be used as a reference for the management team to efficiently identify and analyze other relevant risks. Furthermore, through the integrated information technology platform that covers the entire Group, the Group could conduct real-time monitoring on various risks and receive alerts on time. This system also helps the Group to improve the efficiency of risk management, as well as the analysis and disposal of non-performing assets. As a result, the Group managed to steadily improve its management efficiency. In December 2017, the Group was granted a 4th grade achievement award by the CBRC for its success in conducting research on how to apply and innovate facial recognition technology during operation of commercial banks. The Group has also established a professional risk management team with strong execution capacity. As of December 31, 2017, the Group had 337 full-time employees in charge of risk management and legal compliance. In recognition of the Group's outstanding risk management capacity, the Group was awarded the "2016 Advanced Department for Legal Risk Management (2016年度法律風險管理工作先進單位)" by the China Banking Association.

The Group has cultivated a good compliance and risk management culture. In particular, the Group has identified six key requirements that are vital to promote awareness among employees in relation to risk management and legal compliance, which the Group named as "Three Obligations and Three Focuses (三個千萬,三個用心)". For more details, please see the section headed "Risk Management".

The Group has an excellent management team supported by a sound personnel training and appraisal system. It has established a corporate culture of "Creativity without Boundaries and Devotion to Future Success (創無止境,心有未來)" and laid a solid foundation for the establishment and continuous improvement of the Group's leading position in the market.

The Group has a senior management team with extensive industry experience, who have successfully established the Bank's leading market position through their successful strategic decision-making, completion of the Bank's structural reform and consolidation of the Bank's business and management system upon completion of the Acquisition. The Bank's Chairman, Mr. Chen Xiaoming, possesses around 30 years of banking experience, has held long-term leadership positions in large state-owned banks, holds a PhD in Economics and is a senior economist. Mr. Chen joined the Group in March 2006, has been Party Secretary to the Bank and Board Chairman since March 2012, and has gained a thorough understanding of the strategic development of the Group and the economic development of Jiangxi Province. Mr. Chen was awarded the "National Labor May 1st Medal" issued by the All-China Federation of Trade Unions in 2017, and was elected as a representative of the Fourteenth Congress of the Communist Party of Jiangxi Province in 2016. The president of the Bank, Mr. Luo Yan, has over 27 years working experience in the banking industry. A graduate from Peking University with an EMBA degree, he has been working in different large scale state-owned banks and a city commercial bank.

The Group's management team is committed to the training of talents. It believes that the success of the Bank rests upon appropriate selection and positioning of talents. The Group holds a "people-oriented" philosophy, according to which, the Group focuses on training, motivating and attracting experts, through which, it has established a team of staff with necessary expertise and strong execution abilities. In addition, in order to adapt to the need for talents driven by the Group's strategic development and business expansion, the Group makes efforts in locating and recruiting prospective talents. Since early 2017, the head office has recruited outstanding graduates as "management trainees." Through this systematic training program, the Group has discovered, hired and trained outstanding financial professionals from the earliest stage possible. As of December 31, 2017, the Group's total number of employees reached 4,648, of which 56.3% employees were aged 30 or below, and 85.5% employees had an undergraduate degree or above. Leveraging the optimized age distribution of employees and rich experience of a professional team, the Group could maintain a corporate culture valuing innovation, enhance awareness of and adaptability to market fluctuations, so that, the Group could be well positioned to capture potential opportunities. The Group has established an efficient human resources and performance appraisal system. It provides timely job evaluation feedback to employees and has established a competitive remuneration and performance incentive system, which links responsibility with remuneration and effectively enhances the Group's ability to attract and train qualified personnel. In addition, the Group attaches great importance to staff training and continuously encourages internal staff to strive for self-improvement and growth through its comprehensive optimization training system, thus establishing a talent base for the sustainable development of the Group.

THE GROUP'S DEVELOPMENT STRATEGIES

The Group's vision is to become a leading city commercial bank in China possessing high efficiency, standardized management, distinctive characteristics, and public recognition, through securing its foothold in Jiangxi Province, rigorously promoting regional collaborations between Jiangxi Province and economically developed areas such as the Pearl River Delta and Yangtze River Delta Economic Circles.

In order to realize this vision, the Group plans to implement the following business development strategies:

The Group intends to seize opportunities brought up by the rapid economic development of Jiangxi Province, and actively expand business in Guangzhou and Suzhou, so that it could further enhance its existing advantages.

The Group will fully grasp development opportunities brought up by favourable policies promulgated by the PRC Government with the aim to further promote economic development of Jiangxi Province. Capitalizing on its existing advantages, the Group plans to continue improving its customer relationships so that it can enhance its competitive advantages. The Group plans to keep studying the direction of national economic development, focusing on serving the real economy and continue supporting national and local supply-side economic restructuring. For example, Ganjiang New District in Jiangxi Province is positioned as one of the first of five "Pilot Zones for Green Finance Reform and Innovation (綠色金融改革創新試驗區)" in China. Leveraging this opportunity, the Group will continue to give full play to its advantages of being one of the first banks in China issuing green bonds in order to further develop its green economy business and quality customers. In addition, in line with policies promulgated by the PRC Government in recent years to encourage the revitalization of the economy in former Central Soviet Areas such as southern Jiangxi and to emphasize financial services to the real economy, the Group plans to actively develop quality products and customers based on its deep understanding of the regional economy, enhance its focus on penetrating beneficiary areas, and take full advantage of relevant market opportunities. At the same time, in response to the demand for financial services and products brought by the "Belt and Road (一帶一路)" initiative, the Group will rely on its advantages to actively expand its international trade business.

In addition, the Group will make full use of existing advantages from its cross-regional business network, execute the "One Body, Two Wings (一體兩翼)" strategy, and closely meet development opportunities from the Pearl River Delta and Yangtze River Delta Economic Circles. The Group will continue to carry out brand-promoting activities in Guangzhou Branch and Suzhou Branch, and at the same time provide a full range of international business and foreign trade business to import and export enterprises and foreign-invested enterprises. The Group's financial leasing company will actively develop financial leasing products to complement products for basic customer groups, and to provide clients with more integrated financial services.

The Group intends to vigorously promote online financial products and services, strengthen technological innovation capacities, and enhance operation efficiency.

Adopting a prudent strategy, the Group will further develop its Internet finance business including direct banking business, continue integrating online financial services including deposits, loans, agency services, investment and financing, and fund custody, and enhance the market competitiveness of its online investment and financing business.

The Group plans to continue developing its asset-light business model, leveraging the advantages of its platform to enhance operational efficiency, and diversifying its product and service offerings. In addition, the Group will actively engage in strategic cooperation with large Internet platforms possessing rich customer resources, mine potential mid-to-high end customer resources, and promote the Group's products and services through multiple channels.

The Group will continue to invest in the development, application and upgrading of advanced technologies. The Group plans to continuously upgrade and update technologies such as cloud computing and big data platforms to enhance risk prevention capabilities and business efficiency, and maintain solid technical support for the sustained development of differentiated products and services for the Group's corporate banking and retail banking customers.

The Group will further improve its retail banking channels, and promote transformation of the business concept of "Broad Retail Banking (大零售銀行)" where the customer can receive one-stop retail banking products and services.

The Group plans to continue transforming its business, practicing inclusive finance, expanding its customer base and developing differentiated products and services that closely serve the day-to-day financial needs of retail customers. In terms of the construction of business outlets, the Group plans to achieve full coverage of all county-level cities in Jiangxi Province with its offline outlets by the end of 2018. In addition, the Group will strategically optimize outlet planning according to the economic structures and varied growth potential of different regions in Jiangxi Province, especially with regard to existing outlets in Nanchang and its neighbouring cities. In addition, the Group will continue to optimize online services such as Internet terminals and mobile terminals to focus on the development of direct banks. Through the close combination of online and offline offerings, the customer service quality and experience will be enhanced to meet future challenges.

With regard to retail banking products and services, the Group will leverage the advantages obtained from its regional context, its brand and its services to strengthen the synergies between its corporate banking business and retail banking business, reinforce existing services in aspects such as salary and social security for existing corporate customer employees, expand its customer base and strengthen its quality deposit services. In addition, the Group will strengthen its application of financial technology, continue to optimize online consumer credit products, enhance cooperation with the Internet platforms, plug products into online consumption scenarios, expand online customers, and continuously improve its off-site risk control system, to achieve the rapid expansion of its credit business. At the same time, the Group will also further develop products and services that address the different needs of individual retail customers, such as its wealth management business, and enhance the loyalty of its high-end customers by providing quality customized services.

The Group plans to continue developing the unique characteristics of its small and micro financial business to consolidate corporate banking business advantages.

The Group plans to continue improving banking services to small and micro enterprises, and constantly improve the precision and professionalism of its services. The Group will make full use of innovations in financial technology to provided diversified services and products with distinct characteristics to small and micro enterprises. With respect to business outlet construction, the Group plans to expand its outlet coverage by focusing on areas surrounding the existing Small Enterprise Credit Centre. In addition, the Company will work in accordance with the direction of Jiangxi Province's economic development, including opportunities brought by the development of green industries and the transfer of key industries, and constantly optimize products tailored for quality small and micro enterprises as well as rural, agricultural and farming ("三農") customers. The Group will also perform an in-depth study of opportunities arising from the upgrade in customer demands and industrial structures and continue to deepen its cooperation with local governments, subordinate enterprises and institutions and large and medium-sized enterprises in Jiangxi Province, especially key industries that are in line with the future development of Jiangxi Province, such as the modern agriculture industry, the modern service industry, and the modern manufacturing industry. Thus, the Group will constantly improve the quality and efficiency of its service, providing targeted financial solutions and enhancing customer retention.

The Group intends to vigorously expand its investment banking and asset management businesses, and optimize its business income structure.

In order to better cope with challenges from China's financial reforms, accelerated changes in the RMB exchange rate and interest rate liberalization, the Group plans to continue developing financial markets business and investment banking business, while ensuring its compliance with requirements from dynamic capital and liquidity management. The Group plans to expand its business channels, improve business innovation and accelerate the transformation of its investment banking business. The Group will continue to explore investment and loans business models, further standardize fund-related business operations, strengthen cooperation with large-scale private equity investment institutions, and develop a pioneering investment banking business. In addition, the Group will continue to improve its research and development capabilities, expand its talent pool and continuously strengthen interbank cooperation, and broaden its sources of income by constantly developing new products and services. In particular, the Group will take a proactive approach in improving investment capabilities and continuously improving the profitability of its asset management business. Furthermore, the Group also plans to enhance the competitiveness of its investment banking business by thoroughly studying the needs of listed companies holding group companies of listed companies and quality state-owned enterprises, and enhancing cooperation with banks and non-banking financial institutions. While remaining in compliance with relevant regulations, the Group will continue to carry out and participate in the development of innovative products such as fund products and investment and loan linkage services to enhance the profitability of the Group.

The Group will further deepen and enhance its general risk management and internal control standards, to continuously improve corporate governance and maintain good asset quality.

The Group plans to continuously improve its risk management, internal control and compliance capacity, by continuously adjust the responsibilities of the Board of Directors, the Board of Supervisors, senior management, risk management committees, and risk management-related departments and branches in accordance with business development to achieve better balance between risk control and profitability. The Group will continue to enhance the quality of its assets and enhance its ability to identify, manage and control risks at the pre-loan, loan, and post-loan stages. It will continue to invest in improving, upgrading and applying high-tech tools and techniques to enhance risk identification and measurement standards, and introduce big data analytics in combination with internal rating tools to quantify risk parameters and effectively enhance risk management levels. At the same time, the Group will also continue to strengthen risk prevention and control in key areas of business and manage non-performing assets. The Group will continue to solidify the "Three Obligations and Three Focuses (三個千萬,三個用心)" concept in its compliance culture to maintain steady business development.

The Group will constantly optimize its human resources system, and attract and cultivate high-quality talents.

The Group will continue to adhere to the philosophy of "achieving success by engaging talented people and, to be a bank teamed with talented people (人才興行,人才強行)", where it plans to improve its human resource management mechanism, and constantly optimize its talent allocation structures in order to better mobilize and motivate the potential of its talents. The Group will continue to improve its performance-based remuneration system, maintain a transparent and efficient human resources assessment framework, and enhance its performance appraisal, reward and punishment system. Through the implementation of differentiated remuneration strategies and packages, the Group will continuously emphasize the concept of performance-oriented work in order to recruit and retain the right talents. The Group also plans to provide professional training for employees so as to continuously enhance professionalism and corresponding capabilities in their particular positions. At the same time, the Group will strengthen its corporate culture and work to improve employees' sense of belonging in the Group.

THE GROUP'S PRINCIPAL BUSINESS ACTIVITIES

The Group's principal lines of businesses include corporate banking (including financial leasing services provided through the Bank's subsidiary, Jiangxi Financial Leasing), retail banking, and financial markets. For details of the Group's financial leasing business, please see the sub-section headed "– Financial Leasing Company". The following table sets forth the Group's operating income by business segments for the periods indicated.

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Corporate banking	4,269.3	61.9%	5,137.4	57.2%	5,142.5	54.4%
Retail banking	1,377.7	20.0%	1,356.3	15.1%	1,806.9	19.1%
Financial markets[(1)]	1,241.1	18.0%	2,551.1	28.4%	2,577.5	27.3%
Others[(2)]	4.2	0.1%	(60.4)	(0.7)%	(74.6)	(0.8)%
Total	**6,892.3**	**100.0%**	**8,984.4**	**100.0%**	**9,452.3**	**100.0%**

Notes:

(1) Consists primarily of money market transactions, investment business, wealth management, debt securities underwriting and distribution, and bill discounting and rediscounting.

(2) Consists primarily of income or expense that is not directly attributable to any specific business segment such as (a) internal net interest expense arising from internal charges and transfer pricing adjustments. In 2015, 2016 and 2017, internal net interest expense of this segment amounted to RMB34.6 million, RMB78.2 million and RMB78.3 million, respectively; (b) net fee and commission income or expense; and (c) other income, gain or loss, which include rental income, net gains or losses on disposal of non-current assets, government grants and donations. In 2016 and 2017, the Group recorded losses in this business segment were mainly due to the internal net interest expenses arising from the internal funds used for acquiring property and equipment such as premises that is not directly attributable to any specific business segment.

Corporate Banking

Overview

The Group offers diversified financial products and services to its corporate customers to support their business needs, mainly including corporate loans, corporate deposits, transaction banking, investment banking and other fee- and commission-based products and services. The Group's corporate customers primarily include government agencies and public institutions, state-owned enterprises, private enterprises, and foreign-invested enterprises.

The Group offers corporate customers a different series of featured products and services to enhance its competitiveness and market share in the corporate banking business, each targeting a specified group of corporate customers that the Group believes have strong business potential and good credit. In particular, the Group developed a series of products and services for different types of customers and enterprises under the brand name of "Jin Dong Li (金動力)". The Group designs tailor-made terms based on specific demands of qualified customers, covering working capital loans and revolving credit facilities, as well as different transaction banking services including supply chain finance, trade finance and cash management services.

In addition to the above, the Group also participates in the PRC Government initiative in promoting the local economic development. For instance, the Group has launched different financial products during the in the past, such as "Caiyuan Xindai Tong (財園信貸通)" and "Huinong Xindai Tong (惠農信貸通)" which are mainly for enterprises established in the PRC Government designated industrial zones and the government-supported agricultural enterprises, and "Dianshang Xindai Tong (電商信貸通)" which is primarily for enterprises in E-commerce industry. For details, please see "Business – Loans to Small and Micro Enterprises". Furthermore, the Group also established a financial leasing company in November 2015, focusing in the financial leasing business. For details of the Group's financial leasing business scope, please see "– Financial Leasing Company" in this prospectus.

For the years ended December 31, 2015, 2016 and 2017, operating income from the Group's corporate banking business was RMB4,269.3 million, RMB5,137.4 million and RMB5,142.5 million, respectively, accounting for 61.9%, 57.2% and 54.4% of the Group's total operating income, respectively. As of December 31, 2017, the Group had 3,552 corporate loan customers with total corporate loans of RMB82,109.0 million and 58,099 corporate deposit customers with total deposits of RMB184,085.8 million. The Group's corporate loans increased from RMB63,538.7 million as of December 31, 2015 to RMB78,156.3 million as of December 31, 2016 and further to RMB82,109.0 million as of December 31, 2017. The Group's corporate deposits increased significantly from RMB105,109.8 million as of December 31, 2015 to RMB145,364.0 million as of December 31, 2016 and further to RMB184,085.8 million as of December 31, 2017.

The Group takes proactive approach in participating in major projects promoted by local government to better tap into dynamic infrastructure projects in different regional markets across Jiangxi Province and enhance the long-term relationship it has developed and maintained with local governments. The Group provides comprehensive services, including financing and financial advisory, to a broad range of projects led by local governments, covering infrastructure construction, industrial restructuring and upgrading, agriculture modernization, reform and innovation of rural financial service as well as development of small and micro enterprises. In addition, the Group entered into a total of 137 strategic customer agreements, involving 25 cities, 16 districts and 14 counties as of December 31, 2017. In particular, among these agreements, there were strategic cooperation agreements with a number of large enterprises and state-owned enterprises covering 15 cities, seven districts and three counties under direct administration in Jiangxi Province, and Guangzhou and Suzhou. For details, please see "– Corporate Customer Base" in this section.

Corporate Loans

The majority of the Group's corporate loan customers are enterprises incorporated or otherwise have their primary operations in Jiangxi Province. Corporate loans have been the largest component of the Group's loan portfolio during the Track Record Period, substantially all of which are RMB-denominated loans. As of December 31, 2015, 2016 and 2017, the Group's corporate loans amounted to RMB63,538.7 million, RMB78,156.3 million and RMB82,109.0 million, respectively, accounting for 74.2%, 72.4% and 63.5%, respectively, of the Group's total loans to customers as of the same dates.

Distribution of Corporate Loans by Product Type

The Group provides its corporate customers with a variety of loan products, including working capital loans, fixed asset loans and financial leasing services. The Group provides working capital loans to customers to meet their working capital requirements in daily operations. The Group also provides fixed asset loans to customers to meet their financing needs of fixed asset investment projects (including infrastructure projects, building construction, land development and other projects). In addition, financial lease was generated through the operation of the Group's subsidiary, Jiangxi Financial Leasing, which was established in November 2015. For details of the Group's financial leasing business, please see "– Financial Leasing Company" in this section. The following table sets forth the Group's corporate loans by product type as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate loans						
Working capital loans	44,470.3	70.0%	49,162.6	62.9%	45,054.4	54.9%
Fixed asset loans	16,716.9	26.3%	21,564.6	27.6%	25,885.3	31.5%
Financial lease	1,659.3	2.6%	6,958.1	8.9%	9,711.2	11.8%
Others[1]	692.2	1.1%	471.0	0.6%	1,458.1	1.8%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Note:

(1) Consist primarily of trade finance, advances under acceptance bill and syndicated loans.

Distribution of Corporate Loans by Maturity

In terms of loan maturity, the Group's corporate loans comprise short-term loans and advances, medium- and long-term loans. The following table sets forth the Group's corporate loans by maturity as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Short-term loans and advances[1]	40,808.4	64.2%	42,077.1	53.8%	37,160.9	45.3%
Medium- and long-term loans[2]	22,730.3	35.8%	36,079.2	46.2%	44,948.1	54.7%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Notes:

(1) Consists of loans with maturity of one year or less and advances.

(2) Consists of loans with maturity of more than one year.

Short-term Loans and Advances

Under the General Rules of Loans of the PBoC, short-term loans are loans with maturity of one year or less. As of December 31, 2015, 2016 and 2017, the Group's short-term loans and advances were RMB40,808.4 million, RMB42,077.1 million and RMB37,160.9 million, respectively, accounting for 64.2%, 53.8% and 45.3%, respectively, of the Group's total corporate loans as of the same dates.

Medium- and Long-term Loans

Under the General Rules of Loans of the PBoC, medium- and long-term loans are loans which mature in more than one year. As of December 31, 2015, 2016 and 2017, the Group's medium- and long-term loans were RMB22,730.3 million, RMB36,079.2 million and RMB44,948.1 million, respectively, accounting for 35.8%, 46.2% and 54.7%, respectively, of the Group's total corporate loans as of the same dates.

Distribution of Corporate Loans by Customer Type

The Group provides differentiated loan products and services to its loan customers of various categories and sizes. The Group's corporate loan customers primarily include state-owned enterprises and privately owned enterprises, engaging in a broad range of industries primarily including manufacturing, wholesale and retail trade, real estate, construction, as well as leasing and business services. For details of the distribution of the Group's corporate loans by industry categories, please see "Assets and Liabilities – Assets – Loans to Customers – Distribution of Corporate Loans by Industry."

The following table sets forth the Group's corporate loans by size of corporate customers as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Micro enterprises(1)	3,970.5	6.2%	5,287.5	6.8%	6,336.4	7.7%
Small enterprises(1)	44,728.2	70.4%	52,830.8	67.6%	59,087.4	72.0%
Medium enterprises(1)	9,306.0	14.6%	9,618.2	12.3%	6,741.5	8.2%
Large enterprises(1)	4,293.4	6.8%	9,155.7	11.7%	7,629.8	9.3%
Others(2)	1,240.6	2.0%	1,264.1	1.6%	2,313.9	2.8%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Notes:

(1) The classification criteria for large, medium, small and micro enterprises are based on the number of their employees, operating income and total assets stated in the Classification Standards of Small and Medium Enterprises. Please see "Definitions".

(2) Primarily includes loans to public institutions such as hospitals and schools.

Loans to Large and Medium Enterprises

Large and medium enterprises are important customers of the Group. The Group provides comprehensive loan products to assist them in meeting their financial needs, including working capital loans, fixed asset loans and financial lease. For details of the Group's large and medium enterprise customers, please also see subsection headed "– Corporate Customer Base" in this prospectus.

As of December 31, 2015, 2016 and 2017, the Group's loans to large and medium enterprises amounted to RMB13,599.4 million, RMB18,773.9 million and RMB14,371.3 million, respectively, accounting for 21.4%, 24.0% and 17.5%, respectively, of the Group's total corporate loans as of the same dates.

Loans to Small and Micro Enterprises

Aiming to better serve the Group's small and micro enterprise customers and to develop its financial services brand, the Group is committed to offering professional, tailor-made and efficient financing solutions and services to meet their financing needs. During the Track Record Period, the Group's small and micro enterprise loan customers were engaged in a wide range of industries. As of December 31, 2015, 2016 and 2017, the Group's loans to small and micro enterprises amounted to RMB48,698.7 million, RMB58,118.3 million and RMB65,423.8 million, respectively, accounting for 76.6%, 74.4% and 79.7% of the Group's total corporate loans, respectively, as of the same dates.

Leveraging its deep understanding of the local economy and market trends in Jiangxi Province and to capture business opportunities brought up by favorable policies promulgated by the People's Government of Jiangxi Province in promoting development of small and micro enterprises, the Group has successfully launched a number of products and services with innovative features that have been well recognized in relevant markets.

- "Caiyuan Xindai Tong (財園信貸通)". The Group launched this series of loan products to qualified medium, small and micro enterprises located in industry zones in Jiangxi Province. The Group granted working capital loans to qualified medium, small and micro enterprises, which were backed by a special risk fund jointly established by PRC Government in Jiangxi Province and management committees of relevant industry zones.

- "Shui e Rong (稅e融)". The Group launched "Shui e Rong (稅e融)" in 2017 through cooperation with tax authorities in Jiangxi Province, where the Group allows qualified small and micro enterprises maintaining good tax payment records to obtain loans up to RMB1.0 million. The Group reviews historical tax records and documentation provided by the applicant in relation to the loan application in conducting credit reviews to determine specifications of loans and the borrowers can withdraw proceeds and make repayment online, resulting in substantial improvement in cost efficiency.

Furthermore, the Group took efforts in developing different types of tailor-made loan products each targeting clients operating in a specific industry, including (i) "Huinong Xindai Tong (惠農信貸通)" loan products, where qualified agricultural enterprises can obtain funds relying on credit enhancement measures provided by different levels of government in Jiangxi Province and (ii) "Dianshang Xindai Tong (電商信貸通)" loan products, where qualified enterprises in the electronic commerce industry can borrow short-term working capital loans up to RMB5.0 million with credit enhancement measures provided by industrial zones.

Bill Discounting

Through bill discounting services, the Group offers short-term financing by virtue of which the Group buys bank acceptance bills or commercial acceptance bills before they become due and credits the value of the bill with a discount charge to the corporate customers.

As of December 31, 2015, 2016 and 2017, the Group's discounted bills amounted to RMB3,099.7 million, RMB3,448.2 million and RMB3,206.5 million, respectively, accounting for 3.6%, 3.2% and 2.5%, respectively, of the Group's total loans to customers as of the same dates.

Corporate Deposits

The Group offers corporate customers time and demand deposits in RMB and major foreign currencies, including USD, HK dollar, Japanese Yen, and Euro. The Group provides RMB-denominated time deposits with maturities ranging from three months to five years to the Group's corporate customers. The Group offers deposit products with different terms on interest rates and tenor to capture the demands of various target customer groups. The table below sets forth the Group's corporate deposits by product type as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Demand deposits	52,551.4	50.0%	81,574.3	56.1%	113,707.6	61.8%
Time deposits	52,558.4	50.0%	63,789.7	43.9%	70,378.2	38.2%
Total corporate deposits	**105,109.8**	**100.0%**	**145,364.0**	**100.0%**	**184,085.8**	**100.0%**

The Group's corporate deposit customers primarily include fiscal and government agencies, public institutions, state-owned enterprises, private enterprises and foreign-invested enterprises. The Group launched different types of featured products or services to promote corporate deposit business.

As of December 31, 2015 and 2016 and 2017, the number of the Group's corporate deposit customers amounted to 42,375, 48,954 and 58,099, respectively, with total corporate deposits amounting to RMB105,109.8 million, RMB145,364.0 million and RMB184,085.8 million, respectively, accounting for 73.0%, 76.0% and 75.5% of the Group's total deposits from customers, respectively, as of the same dates.

Transaction Banking

In managing the Group's transaction banking business, the Group mainly offers cash management services, supply chain finance services, trade finance services and settlement services. The Group considers these services as the Group's competitive edge, which the Group believes allow the Group to leverage its broad geographic coverage, advanced technology capacities and long-term relationships with strategic customers to capture business opportunities from the dynamic economic development in Jiangxi Province as well as other provinces in the PRC.

Cash Management Services

The Group provides integrated cash management services to the Group's corporate customers to assist them in managing their cash flows, including account management, collection and payment management, liquidity management, bill management and investment and financing services. The Group believes that its cash management services are able to assist the Group's corporate customers to reduce their financial costs, increase capital gains, optimize the structure of assets and liabilities, and achieve a balance between liquidity and profitability. The Group provides cash management services to large enterprises, government departments and public institutions. As of December 31, 2017, the Group had 42 cash management customers. For the year ended December 31, 2017, the total transaction volume of the Group's cash management services amounted to RMB654 million.

Supply Chain Finance

The Group also provides supply chain finance to the upstream suppliers and downstream customers of the Group's core enterprise customers so as to meet their financing needs. The Group has developed a customer-centric products and services system to better meet their various financing needs, which consists of accounts receivables financing (such as domestic factoring, loans pledged by receivables), accounts payable financing as well as prepayment financing.

Trade Finance

It provides trade finance services to customers engaging in both domestic and international trading, primarily including financial products and services designed for export trading, financial product and services designed for import trading, financial products and services designed for domestic trading and financial products and services designed for cross-border transactions. The Group's trade finance service customers came from a wide range of industries, including engineering, textile, electronic equipment manufacturing, mineral resources, photovoltaic energy and other industries.

Settlement Services

The Group offers its corporate customers both domestic and international settlement services. As of December 31, 2017, the Group has established agency relationship with more than 130 banks world-wide, and obtains the membership of SWIFT as well as CFETS.

- *Domestic settlement*. The Group's domestic settlement products and services primarily include settlement effected through drafts, promissory notes, bank acceptance bills, commercial acceptance bills and telegraphic transfers.

- *International settlement*. The Group obtained the qualification to operate international banking business in January 2004 and commenced, and offered its international settlement services in May 2004 for both its corporate and retail banking customers, which primarily include inbound and outbound remittances, export collection, import and export letters of credit, and cross-border RMB settlement. As of December 31, 2017, the Group had business relationships with a total number of 899 corporate customers, and for the year ended December 31, 2017 the Group's international settlement transaction volume amounted to RMB20,986.3 million.

"Settlement Card"

In order to improve the convenience of payment and settlement accounts of corporate customers, the Group introduced "Settlement Card" for its corporate customers (including enterprises and institutions) in 2016. This product is linked to bank settlement accounts of corporate customers and features a number of financial functions such as account inquiry, transfer and remittance, cash deposit and withdrawal, consumption and wealth management. As of December 31, 2017, the total accounts opened for "Settlement Card" amounted to 5,889, 2,411 of which were newly opened in 2017. The total aggregated transaction amount for the year ended December 31, 2017 had reached RMB961.8 million.

Investment Banking

In addition to the traditional loans and deposits businesses, the Group provides its corporate customers with investment banking services. During the Track Record Period, the Group steadily expanded the products portfolio of its investment banking business and devoted efforts in the recruiting and training of qualified employees with relevant expertise. The Group's investment banking services mainly include financial advisory and consulting.

Financial Advisory and Consulting

The Group's financial advisory and consulting services primarily provide high-quality corporate customers with enterprise restructuring, mergers and acquisitions, asset securitization, as well as capital and financing operations services. In addition, the Group also proactively participates in projects of strategic value in terms of product innovation and customer development. Relying on its all-round consulting services in project marketing, intermediary selection, project design, regulatory communication, issuance and sales, the Group managed to help its clients improve their capital utilization rate.

Other Fee- and Commission-Based Corporate Banking Products and Services

The Group provides its corporate customers with other fee- and commission-based products and services, primarily including corporate wealth management services, guarantee services, entrusted loan services and syndicate loan services.

Corporate Wealth Management Services

The Group provides differentiated wealth management products with flexible terms and yields based on customers' needs and risk tolerance in line with relevant PRC laws and regulations. The Group's corporate wealth management products mainly consist of principal protected and non-principal protected products with floating yields. Since 2007, the Group started to issue corporate wealth management products under the brand of "Yousheng Wealth Management (優盛理財)". This series offers both principal protected and non-principal protected products. For the years ended December 31, 2015, 2016 and 2017, the total sales volume of wealth management products to corporate customers amounted to RMB23,788 million, RMB13,533 million and RMB16,792 million, respectively. As of December 31, 2017, the balance of the Group's wealth management products sold to corporate customers amounted to RMB2,769 million. For the year ended December 31, 2017, the expected yield of the Group's corporate wealth management products under the "Yousheng Wealth Management (優盛理財)" series ranged from 3.0% to 5.4%.

Guarantee Services

The Group provides its corporate customers with various guarantee services, in the form of bid guarantees, contract performance guarantees, prepayment guarantees and other financing and non-financing guarantees.

Entrusted Loans

The Group extends entrusted loans to borrowers on behalf of the Group's corporate customers according to their lending purpose, amount, term, and interest rate. The Group monitors the loan utilization and assists with the collection of loans for the Group's corporate customers who, being the principals, assume the default risk of the loans, while the Group receives agency fees based on the entrusted loan amounts.

Corporate Customer Base

The Group's corporate customers are mainly from (i) wholesale and retail trade industries, (ii) water conservancy, environment and public facility management industries, (iii) manufacturing industry, (iv) leasing and commercial services industries, and (v) real estate industry. As of December 31, 2017, the Group's loans to customers in these industries accounted for 23.5%, 18.0%, 11.9%, 11.7% and 9.6%, respectively, of the Group's total corporate loans as of the same dates. Please see "Assets and Liabilities – Assets – Loans to Customers – Corporate Loans – Distribution of Corporate Loans by Industry". As of December 31, 2017, the Group had 3,552 corporate loan customers and 58,099 corporate deposits customers.

The Group is dedicated to building up and maintaining long-term strategic relationships with quality large corporate enterprise and institutional customers, particularly fiscal and government agencies or clients engaging in industries with strategic importance in the local economy. The Group has established a Conglomerate Customer Department (集團客戶部) and Strategic Customer Department (戰略客戶部) at its head office in order to strengthen the Group's strategic cooperation with institutional customers, including local government, government agencies and public institutions such as public hospitals and universities.

For customers that the Group deems as "key strategic customers", it may provide favorable terms with regard to fees, security, interest rate and size of credit facility when it deems appropriate. In particular, the Group has entered into strategic cooperation agreements with leading state-owned and private enterprises in Jiangxi Province, Guangzhou and Suzhou where these enterprises could enjoy priority in banking services provided by the Group including corporate loans, bill discounting services, investment banking services, debt securities underwritings, supply chain finance, trade finance, financial leasing services, electronic banking and settlement. In recent years, in line with the national strategy encouraging economy development in regions that used to serve as China revolutionary bases, including Jiangxi Province, the Group took proactive measures to capture the growing demand for financial products and services from relevant local markets.

As of December 31, 2017, the Group had entered into strategic cooperation agreements with PRC Governments of two cities, four districts and 12 counties directly administered by Jiangxi Province government and Yuexiu District in Guangzhou, which allows the Group to fully participate in local government-led projects, including infrastructure construction, industrial restructuring and upgrading, where it could provide professional financial advice, corporate banking services, investment banking services, electronic banking services and carry out comprehensive financial services. The Group believes that such strategic cooperation exposes it to a broader base of customer group.

In addition to the Group's strong relationships with large corporate enterprises, the Group has also proactively developed a number of loyal medium enterprises as well as small and micro enterprises to expand the Group's corporate customer base by providing products and services tailor-made to meet their specific financial needs. In particular, the Group focuses on developing and enhancing its relationship with enterprises clustered in different industry zones or operating in industries in line with national development strategies, to better capture business opportunities brought up by favorable policies promulgated by the PRC Government.

Furthermore, the Group issued its first series of green bond in 2016, being one of the earliest PRC banks permitted to offer this innovative financial product in China. In 2016, the Group issued four series of green bond with an aggregate principal amount of RMB8,000.0 million with maturities between three to five years and with coupon rates ranging from 3.2% to 3.7% per annum. The Group utilized proceeds from the green bonds to issue corporate loans to enterprises which operate in industries related with environmental protection, including energy saving, pollution prevention, conservation and recycling of natural resources, clean transportation, clean energy and ecological and environmental protection. The Group believes that the qualification of issuing green bond manifests favorable recognition from the PRC regulators on the Group's corporate governance and its capacity in providing comprehensive financial products and services to clients operating in the environmental protection industry. By participating in the issuance of green bond, the Group increases its market penetration in the environmental protection industry with significant growth potential and strong policy support, and enhances its market position and future sustainable development in line with the prevailing trend of industry upgrade and reformation in China.

In recent years, the Group has further promoted corporate banking products and services in close cooperation with investment funds or other capital market entities to efficiently identify and capture market needs for the Group's financial products and services, including "Shang Shi Dai (上市貸)" loan products designed to serve the capital needs of listed enterprises and "Tou Lian Yi Dai (投聯易貸)" loan products designed for enterprises with investments from entities with which the Group has established cooperative relationship. The Group focuses on offering these loan products to enterprises operating in industries in line with national strategies in China with good growth potential such as new energy, electronics, tourism and infrastructure construction. The Group will determine the amount and terms of relevant loans based on a broad range of factors, including the nature of potential borrower's business, their development strategy and the investment the borrower has received or expects to receive from the institutional investor. The Group believes that, by launching these products, it could access valuable information on quality potential borrowers from relevant entities to effectively improve client acquisition cost efficiency and establish a solid foundation for future development of the Group's business.

Retail Banking

Overview

The Group provides its retail banking customers with a wide range of products and services, including personal loans, personal deposits, bank cards, and other fee- and commission-based retail banking products and services. For the years ended December 31, 2015, 2016 and 2017, operating income from the Group's retail banking business amounted to RMB1,377.7 million, RMB1,356.3 million and RMB1,806.9 million, respectively, accounting for 20.0%, 15.1% and 19.1%, respectively, of the Group's total operating income for the same periods. In order to further improve performance of its retail banking business, the Group conducts in-depth analysis on retail customer demand for financial products and services and enhances its technological innovation capability and network coverage, ensuring its retail banking services will be conveniently accessible both online and offline.

Personal Loans

The Group provides its customers with various personal loan products, including residential mortgage loans, personal business loans, personal consumption loans and credit cards. As of December 31, 2015, 2016 and 2017, the Group's personal loans amounted to RMB19,003.4 million, RMB26,378.7 million and RMB44,026.2 million, respectively, accounting for 22.2%, 24.4% and 34.0% of the Group's total loans to customers, respectively, as of the same dates.

The following table sets forth information on the Group's personal loans by product type as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Residential mortgage loans	10,955.4	57.6%	15,147.2	57.4%	25,562.8	58.1%
Personal business loans	5,740.4	30.2%	5,215.3	19.8%	6,009.0	13.6%
Personal consumption loans	1,934.2	10.2%	4,314.8	16.4%	9,212.2	20.9%
Credit card balances	373.4	2.0%	1,701.4	6.4%	3,242.2	7.4%
Total personal loans	**19,003.4**	**100.0%**	**26,378.7**	**100.0%**	**44,026.2**	**100.0%**

Residential Mortgage Loans

The Group provides its retail banking customers with residential mortgage loans for their purchase of new and previously owned residential properties. Residential mortgage loans are secured by the underlying real property being purchased by borrowers and can have terms of up to 30 years. Generally, the residential mortgage loan amount will not exceed 80% of the purchase price or appraisal value of the property. As of December 31, 2015, 2016 and 2017, residential mortgage loans amounted to RMB10,955.4 million, RMB15,147.2 million and RMB25,562.8 million, respectively, representing 57.6%, 57.4% and 58.1%, of the Group's total personal loans respectively, as of the same dates.

Personal Business Loans

The Group provides personal business loans to owners of privately or individually owned businesses and other retail banking customers to serve their needs in relation to business operations, including business start-up, working capital replenishment, rental payments, and facilities purchase. The Group's personal business loans may be secured by various means and the repayment term is up to 5 years.

The Group launched the "Jin Shou Zhi (金手指)" series of loan products in October 2012, which is tailor made to capture the need for financial products and services among retail customers and owners of small and micro enterprises. Loan products under this series generally have a maximum credit line of RMB1.0 million and with a term of up to 36 months. In managing this series of loan products, the Group offers efficient credit review and on-site checking to allow the quick granting of loan proceeds and qualified borrowers can obtain loan without providing securities. As of December 31, 2015, 2016 and 2017, the balance of this series of loan products amounted to RMB3.6 billion, RMB3.4 billion and RMB4.6 billion, respectively. In recognizing the Group's outstanding achievement in designing and promoting this series of products, loan products under "Jin Shou Zhi (金手指)" series was awarded the "Best 10 Innovative Financial Products Award in Retail Business" (「零售業務十佳金融產品創新獎」) by The Banker, a Chinese magazine, in 2015.

As of December 31, 2015, 2016 and 2017, the Group's personal business loans amounted to RMB5,740.4 million, RMB5,215.3 million and RMB6,009.0 million, respectively, accounting for 30.2%, 19.8%, and 13.6% of the Group's total personal loans, respectively, as of the same dates.

Personal Consumption Loans

The Group provides personal consumption loans to its retail banking customers for their personal and household consumption needs such as home renovation, education, traveling and purchase of durable consumer goods including automobiles for personal use. The Group believes its competitive edge rests on, among other things, its strong technological capabilities which include its ability to provide customers with convenient and secure access to its services, such as its ability to efficiently and accurately screen and analyze the applicants' credit history. As of December 31, 2015, 2016 and 2017, the Group's personal consumption loans amounted to RMB1,934.2 million, RMB4,314.8 million and RMB9,212.2 million, respectively, representing 10.2%, 16.4% and 20.9% of the Group's total personal loans, respectively, as of the same dates.

To meet growing competition in the retail banking sector and efficiently capture market demands for products featured with convenient access, the Group invests in utilizing advanced technology to develop and deliver personal consumption loans products. For instance, when the Group reviews received applications, it utilizes its advanced information technology system to quickly review and analyze vast amounts of data that the Group collects from public and third-party proprietary databases covering administrative penalties records, litigations involved and tax payment records of the applicant to quickly identify qualified candidates for further on-site interviews and documentation.

The flagship personal consumption loan products include:

- The Group launched "Shou Ji Miao Dai (手機秒貸)" in May 2017, where a mobile phone user could apply for a personal consumption loan up to RMB0.3 million with a maximum term of 24 months through a mobile application developed by the Group. The Group utilizes advanced big-data analytic technologies to conduct credit analysis on the applicants and determine the amount and other specifications of the relevant loans based on vast amounts of information accumulated by the Group internally or information sourced from external institutions. As of December 31, 2017, the Group had over 447.4 thousand registered users in "Shou Ji Miao Dai (手機秒貸)" and the total "Shou Ji Miao Dai (手機秒貸)" amounted to approximately RMB700.0 million.

- The Group launched "Jin Ling Dai (金領貸)" in April 2016, a personal consumption loan product mainly targeting employees who work in the PRC Government, public institutions such as public hospitals and schools, provincial and municipal state-owned enterprises and listed companies. Applications for this product can generally be processed in a day. The loan has a maximum credit line of RMB10.0 million with a term of up to ten years.

- The Group also actively cooperates with other financial institutions to improve penetration of its products and services and at the same time, offer convenient retail banking services to its retail customers. The Group has signed various cooperation agreements with well-known online platforms in the PRC in order to extend its services, including funds withdrawal or payments etc through other platforms. For instance, in 2016, the Group cooperated with the WeBank in participating in and carrying out "Weili Dai (微粒貸)" products, where retail banking customers could efficiently apply for personal consumption loans up to RMB0.3 million. The Group believes that cooperation with WeBank could help the Group conveniently tap into a large pool of potential clients among WeChat users and obtain access to the latest technology and market trend in the retail banking sector, through which, the Group could improve its own products and services.

In addition to the above, the Group also provides its retail banking customers with personal automotive loans for purchasing motor vehicles for personal use. Generally, the personal automotive loan amount will not exceed 70% of the purchase price of the motor vehicle.

Credit Card Balances

The Group provides its credit card users with payment, transfer, settlement and cash-deposit and withdrawal and other services. As of December 31, 2015, 2016 and 2017, the Group's credit card balances amounted to RMB373.4 million, RMB1,701.4 million and RMB3,242.2 million, respectively, accounting for approximately 2.0%, 6.4% and 7.4% of the Group's total personal loans, respectively.

Personal Deposits

The Group provides its retail banking customers with various demand deposits and time deposits, primarily denominated in RMB. The following table sets forth the Group's personal deposits by terms as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Demand Deposits	10,138.7	26.0%	13,632.3	29.8%	20,862.1	34.9%
Time Deposits	28,789.6	74.0%	32,141.5	70.2%	38,889.5	65.1%
Total personal deposits	**38,928.3**	**100.0%**	**45,773.8**	**100.0%**	**59,751.6**	**100.0%**

The Group's personal time deposits have maturities ranging from one day to five years. The Group took an active approach to attract personal deposits by introducing various products designed to offer favorable interest rates and convenient withdrawal options. For instance, in July 2015, the Group obtained the qualification to issue certificates of deposits. In April 2016, the Group officially promoted the products of large certificate of personal deposit. As of December 31, 2017, the Group's total deposits under large certificate of personal deposit to over RMB1,567.7 million.

As of December 31, 2015, 2016 and 2017, total personal deposits amounted to RMB38,928.3 million, RMB45,773.8 million and RMB59,751.6 million, respectively, accounting for 27.0%, 24.0% and 24.5% of the Group's total deposits from customers, respectively, as of the same dates. As of December 31, 2015, 2016 and 2017, the total number of the Group's personal deposit customers reached 1.4 million, 1.7 million and 2.1 million, respectively.

Bank Card Services

Debit Cards

The Group issues various types of debit cards to retail banking customers who have deposit accounts with the Group. The Group's debit cards are issued under the brand name of "Jinrui Card (金瑞卡)" and "Caifu Debit Card (財富卡)", through which the Group offers comprehensive financial services, including cash deposit and withdrawal, money transfer and remittance, payroll services, other fee-related payments and wealth management product purchases.

Currently, the Group's debit cards are classified into four categories, ordinary card, gold card, platinum card and diamond card. Each category allows a respective customer group to access different types of services. For instance, gold card holder of the Group's "Caifu Debit Card (財富卡)" can enjoy special discounts and access to preferential services with selected businesses. The Group believes that by offering differentiated service packages, the Group could improve its service quality, customer loyalty and the Group's profitability.

As a member of China UnionPay, the Group's debit cards are accepted through the China UnionPay network in China and around the world. As of December 31, 2015, 2016 and 2017, the Group has issued, in aggregate, 2.5 million, 3.1 million and 3.6 million debit cards.

Credit Cards

In February 2015, the Group received qualification to issue credit cards and became the first city commercial bank receiving the qualification to carry out credit card business in Jiangxi Province. The Group offers its customers differentiated value-added services, including discount on dining, entertainment, travel and trip services provided by merchants who participate in the Group's preferential program. The Group provides its credit cardholders with spending, transfer and settlement and cash deposit/withdrawal and other banking services. To offer different services to different target customer groups, the Group issues UnionPay Card and Visa Card, and offers three types of credit cards namely, Normal/Ordinary Card, Gold Card, and Platinum Card of different credit levels based on the credit level of the credit applicants. Each type of credit card holder can receive and enjoy specific services and benefits tailor-made for each type of card. The Group's UnionPay credit card has the function of "Quick Pass," which is featured with small-amount fast payment characteristic based on NFC (near-field-communication) payment technology. As of December 31, 2017, the Group had issued approximately 0.3 million credit cards. As of December 31, 2017, the Group's credit card balances amounted to RMB3,242.2 million.

The Group's credit card business income mainly includes annual fees, fees and commission income and interest income. For the years ended December 31, 2015, 2016 and 2017, operating income from the Group's credit card business amounted to RMB13.6 million, RMB57.0 million and RMB149.5 million, respectively.

In recognizing the Group's achievement and quality services in relation to its credit card business, the Bank was awarded "UnionPay Credit Card Marketing Outstanding Award for 2016 (2016年銀聯信用卡推廣新銳獎)" and "Outstanding Advancement Award for UnionPay Credit Card Business for 2016 (2016年銀聯信用卡業務飛躍獎)" both by China UnionPay in 2017.

Other Fee- and Commission-based Retail Banking Products and Services

For the Group's retail banking customers, the Group provides various fee- and commission-based retail banking products and services, primarily including personal wealth management services, fund distribution, bancassurance, payroll and payment services and settlement services. For the years ended December 31, 2015, 2016 and 2017, the Group's net income from fee- and commission-based retail banking products and services amounted to RMB192.1 million, RMB84.1 million and RMB187.8 million respectively.

Personal Wealth Management Services

The Group provides its retail banking customers with diversified personal wealth management products. For instance, the Group launched "Yousheng Wealth Management (優盛理財)", a series of wealth management products comprising six main sub-categories of products, each targeting a specific group of retail banking customers, namely (i) "Chuang Li (創利)" series that consists of non-principal protected products tailored for customers of high net worth, (ii) "Chuang Ying (創贏)" series that consists of non-principal protected products tailored for customers looking for higher returns, (iii) "Chuang Xin (創鑫)" series that consists of principal protected products tailored for customers who prefer a cautious and conservative investment strategy, (iv) "Zun Xiang (尊享)" series that consists of non-principal protected products where the Group provides tailor-made products for different customer groups based on their specification in terms of geographic location, profession, and transaction preference, (v) "Si Xiang (私享)" series that consists of principal protected or non-principal protected products tailored for customers that intend to subscribe over RMB6.0 million in personal wealth management products, and (vi) "Li Duo Ying (利多盈)" series that consists of principal protected and non-principal protected open-ended wealth management products tailored for customers with liquidity needs. In addition, when promoting personal wealth management products, the Group has adopted flexible marketing approaches by providing on-site services for customers, extending on-site services time or providing customized wealth management services for customers that intend to subscribe personal wealth management products over RMB6.0 million. The Group believes that, by providing convenient access channels for target customer groups, it has managed to fully leverage its competitiveness in terms of gaining a deeper understanding of local markets and improving market recognition of its products.

These personal wealth management products all come with different features, including principal protected products with guaranteed and non-guaranteed returns, non-principal protected products with non-guaranteed returns, different minimum subscription fees, tenor as well as expected rates of return. To improve accessibility of relevant products, the Group delivers its personal wealth management products through a variety of channels, including the Group's counters, mobile banking application, WeChat banking, interactive equipment installed in the Group's outlets and personal online banking website. In addition, the Group is committed to reinforcing its service team to better meet the customers' differentiated needs and provide professional advisory services.

During the Track Record Period, the Group's personal wealth management business witnessed a rapid growth. For the years ended December 31, 2015, 2016 and 2017, the sales volume of wealth management products to its retail banking customers amounted to RMB28,716.9 million, RMB37,497.3 million and RMB60,615.3 million, respectively. As of December 31, 2017, the Group has a total number of 161,789 personal wealth management customers. For the year ended December 31, 2017, the expected yield of the Group's retail wealth management products ranged from 3.0% to 5.4%.

In July 2017, China Banking Association issued the PRC Banking Wealth Management Business Development Report for 2016 (《2016年中國銀行業理財業務發展報告》). According to the report, the Group's "Yousheng Wealth Management (優盛理財)" was awarded six awards including the "Best City Commercial Bank (最佳城商行獎)", "Best Comprehensive Wealth Management (最佳綜合理財能力獎)", "Best Social Contribution (最佳社會貢獻獎)", "Best Compliance Management (最佳合規獎)", "Top Investment Gains (最佳收益獎)" and "Best Renovation (最佳創新獎)" among 228 banking institutions which had been evaluated including state-owned large banks, joint-stock commercial banks, city commercial banks, rural commercial banks, rural credit cooperatives and foreign banks. The Group plans to further diversify its product portfolio by introducing additional personal wealth management products to cater to potential customers' demands.

POS Acquiring Business

The Group has entered into POS settlement cooperation agreements with designated merchants with special offerings, pursuant to which the Group provides settlement services for them upon the completion of transactions between the designated merchants with special offering and the cardholders. The Group also assumes various responsibilities, including merchant onboarding, risk management, merchant training and routine inspection. As of December 31, 2017, the Group had a total of 4,658 participating merchants and 5,825 POS terminals, mainly covering wholesale and retail trade, motor vehicles service, and catering.

Agency Services

The Group's agency services mainly include fund distribution and bancassurance.

Fund Distribution. The Group obtained the qualification for conducting fund sales business in December 2013. The Group's customers can subscribe, purchase and redeem fund products over its counters, or through the Group's personal online banking website or mobile banking application. As of December 31, 2017, the Group had a total number of 450 qualified fund sales personnel in its head office and sub-branches. The Group also established business relationships with ten domestic fund management companies in China and distributed over 100 fund products as an agent. As of December 31, 2017, the total number of fund products the Group distributed reached RMB3,474.6 million. The fund products sold by the Group include monetary market fund, bond fund, stock fund and hybrid fund, targeting customers who have strong risk tolerance capacity, high expectation on investment yields and large amount of fund for investment. The Group takes proactive approaches in improving customers' experience in subscribing fund products to enhance its competitiveness. For instance, the Group launched "Ola Bao (Ola 寶)" where the Group, with appropriate authorization from relevant customers, subscribes quality monetary market fund products, through which, the Group could bring satisfying investment return for relevant customers and creating convenient investment experience for them.

Bancassurance. The Group distributes insurance products as an agent through the Group's cooperation with leading insurance companies in the PRC. As of December 31, 2017 the Group had entered into cooperative agreements with ten insurance companies and provided various types of insurance products as an agent, including home insurance, liability insurance, life insurance, automobile insurance and accident insurance.

Payroll and Payment Agency Services

The Group's payroll and payment agency services mainly include payroll services and payment services.

Payroll Services. The Group provides government agencies, public institutions, including public hospitals and schools, as well as corporations, particularly large group corporations with agency services for their payroll. The employees receive their salaries through their personal bank accounts with the Group, which has become an important source of the Group's retail banking customers. As of December 31, 2017, the Group had approximately 400.9 thousand individual payroll service customers. In addition, the Group also provides agency services for Nanchang City's social security.

Payment Services. For the convenience of the Group's customers to pay their daily living expenses, a comprehensive bill payment service that includes payments for social security fund, utilities such as water, electricity, gas, telephone bills, cable TV fees and social insurance. The above mentioned fees could be paid 24/7 through the Group's personal online banking websites, mobile banking apps, self-service zones, WeChat banking and telephone banking.

Settlement Services

The Group offers settlement services to its retail banking customers, including money transfer, remittance and collection and foreign exchange business.

Retail Banking Customer Base

Capitalizing on the synergy between corporate and retail banking business and the Group's capacity to obtain clients in bulk, the Group has established an extensive and stable retail banking customer base. To streamline structure for better services to retail banking customers, in 2012, the Group had set up a Small Enterprise Credit Centre (小企業信貸中心) at its headquarters with support from Small and Micro Financing Division (小微金融分部) established at certain branches. In recognizing the outstanding performance of the Group's Small Enterprise Credit Centre (小企業信貸中心), in particular its services to owners of small and micro enterprises, CBRC granted the Group the award of "Outstanding Team for Small and Micro Enterprises among PRC Bank and Financing Institutions (全國銀行業金融機構小微企業金融服務優秀團隊)" in 2015.

In addition, relying on the Group's extensive business networks, including sub-branches located within close proximity to the communities and cooperation with other non-banking enterprises as well as relying on the Group's electronic banking system such as its online banking platform, "Jin e Rong (金e融)", the Group is able to expand its customer base and offer its retail banking services to a wider group of customers either at its branch or online. For details of the Group's electronic banking and "Jin e Rong (金e融)", please see "– Electronic Banking" in this section. As of December 31, 2017, the Group had 10.5 million registered users in "Jin e Rong (金e融)".

The Group classifies its retail banking customers into five categories based on their assets, namely ordinary, gold, platinum, diamond and private banking customers. The Group provides differentiated services designed for customers of each category to improve customer loyalty.

The Group also cooperates with other financial institutions to improve brand awareness and to expand customer base. For instance, the Group established a cooperative relationship with Internet finance platform in the PRC, where the Group provides fund custody, payment, settlement and clearing services to registered users on the Internet finance platform, either borrowers or investors, who shall maintain a separate fund custody account with the Bank.

Strategically, the Group strives to expand its customer base by continuously introducing advanced information technology into its financial products and services that cater to ever-changing market demands. Since a growing number of the Group's products and services have been made available online, the Group considers young customers who are tech-savvy and relatively more willing to take advantage of financial technology the key customer group for the Group's future development. Furthermore, attracting a consistent stream of mid- and high-end customers is of vital importance for the Group to reinvigorate its cross-selling and grow its overall business. The Group plans to build up and develop a personalized customer service system for mid- and high-end individual customers, including civil servants, employees of large enterprises with stable income, private business owners, professionals and other high income individuals to provide them with more diverse financial services and products, for example, wealth management products, loyalty reward services and other value-added services to specifically meet their financial needs.

Financial Markets

Overview

The Group's financial markets business primarily includes money market transactions, investment business, asset management business, debt securities underwriting and distribution, and bill discounting and rediscounting. The Group believes it can benefit from operating in the financial markets business, which allows the Group to (i) reduce the Group's reliance on the traditional model of providing deposit, loan and remittance services; (ii) make adjustments on asset allocation to achieve profitability while maintaining effective risk management, and (iii) effectively respond to the challenges that the traditional credit business faces, such as interest rate liberalization and narrowing interest spread. For details on the Group's risk management measures in relation to its financial markets business, please see "Risk Management – Credit Risk Management – Credit Risk Management for the Group's Financial Markets Business".

During the Track Record Period, the Group's financial markets business has experienced significant growth. For the years ended December 31, 2015, 2016 and 2017, the operating income from the Group's financial markets business was RMB1,241.1 million, RMB2,551.1 million and RMB2,577.5 million, respectively. During the Track Record Period, the Group significantly increased its holdings in PRC Government bonds, debt securities issued by PRC policy banks and other financial institutions, and Non-standard Credit Assets to achieve higher liquidity and to reduce the Group's liquidity risk. The Group also diversifies its investments and optimizes its investment portfolio based on the market conditions. The Group believes the significant growth of its financial markets business is in line with the Group's strategy to diversify investment and general industry trend.

Money Market Transactions

The Group's money market transactions primarily consist of: (i) interbank deposits taking; (ii) interbank placements; and (iii) repurchase and reverse repurchase transactions.

The Group's trading capabilities and performance were well recognized in the banking industry. In recognition of the Bank's outstanding performance in interbank domestic currency market, the Bank was granted the "Most Active Trader Award for 2016" ("2016年度活躍交易商") by China Foreign Exchange Trade System in 2017.

Interbank Deposits Taking

As of December 31, 2015, 2016 and 2017, the Group's deposits with banks and other financial institutions was RMB6,816.8 million, RMB4,625.0 million and RMB1,818.2 million, respectively, and the Group's deposits from banks and other financial institutions was RMB13,155.4 million, RMB30,829.3 million and RMB29,820.0 million, respectively.

Interbank Placement

As of December 31, 2015, 2016 and 2017, the Group's placements from banks and other financial institutions was RMB149.2 million, RMB77.7 million and RMB1,350.0 million, respectively, and the Group's placements with banks and other financial institutions was nil, nil and RMB500.0 million, respectively.

Repurchase and Reverse Repurchase Transactions

As of December 31, 2015, 2016 and 2017, the Group's financial assets held under resale agreements was RMB10,093.5 million, RMB5,658.0 million and RMB6,180.1 million, respectively, and the Group's financial assets sold under repurchase agreements was RMB12,705.6 million, RMB8,432.6 million and RMB6,689.1 million, respectively.

Investment Business

In managing the Group's investment business, the Group mainly invests in Standard Investment Products and Non-standard Credit Assets. During the Track Record Period, the Group's investment business experienced significant growth. As of December 31, 2015, 2016 and 2017, the Group's investments in Standard Investment Products and Non-standard Credit Assets amounted to RMB79.7 billion, RMB157.3 billion and RMB188.4 billion, respectively, accounting for 37.6%, 50.1% and 50.9%, respectively, of the Group's total assets, as of the same dates.

The following table sets forth a breakdown of the total balance of the Group's Standard Investment Products and Non-standard Credit Assets as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Standard Investment Products	25,580.8	32.1%	28,122.3	17.9%	37,178.4	19.7%
Non-standard Credit Assets						
Trust plans	31,256.0	39.2%	41,911.4	26.6%	67,380.9	35.8%
Asset management plans	20,162.0	25.3%	54,244.8	34.5%	65,109.5	34.6%
Wealth management products issued by other PRC commercial banks	1,512.5	1.9%	5,810.0	3.7%	4,020.3	2.2%
Investment funds and others(1)	1,171.2	1.5%	27,243.5	17.3%	14,740.6	7.7%
Sub-total	54,101.7	67.9%	129,209.7	82.1%	151,251.3	80.3%
Total	**79,682.5**	**100.0%**	**157,332.0**	**100.0%**	**188,429.7**	**100.0%**

Note:

(1) Consists primarily of monetary market funds and bond funds.

The following table sets forth a breakdown of the total balance of the Group's investments in Standard Investment Products and Non-standard Credit Assets as of the dates indicated.

	As of December 31,											
	2015				2016				2017			
	Amount	% of total	% of net assets	% of total assets	Amount	% of total	% of net assets	% of total assets	Amount	% of total	% of net assets	% of total assets
	(in millions of RMB, except percentages)											
Standard Investment Product	25,580.8	32.1%	129.2%	12.0%	28,122.3	17.9%	132.8%	8.9%	37,178.4	19.7%	159.8%	10.0%
Non-standard Credit Assets	54,101.7	67.9%	273.2%	25.6%	129,209.7	82.1%	610.3%	41.2%	151,251.3	80.3%	649.9%	40.9%
Total	**79,682.5**	**100.0%**	**402.4%**	**37.6%**	**157,332.0**	**100.0%**	**743.1%**	**50.1%**	**188,429.7**	**100.0%**	**809.7%**	**50.9%**

The following table sets forth a breakdown of the Group's income from its investment business for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
	(in millions of RMB)		
Interest income from financial investments[(1)]			
Financial assets at fair value through profit or loss	127.4	112.2	80.0
Available-for-sale financial assets	128.9	649.8	1,409.8
Held-to-maturity investments	590.2	637.2	972.6
Investment classified as receivables	2,609.8	4,070.8	5,015.3
Sub-total	**3,456.3**	**5,470.0**	**7,477.7**
Net trading income/(losses)	49.5	(61.1)	(110.0)
Net gains from financial investments	0.1	234.4	572.9
Total	**3,505.9**	**5,643.3**	**7,940.6**

Notes:

(1) Refers to interest income from financial investments that is derived from the Group's financial markets segment without deducting any interest expenses.

The following table sets forth a breakdown of the Group's interest income from its Standard Investment Products and Non-standard Credit Assets and their respective average rate of return for the periods indicated.

	For the year ended December 31,								
	2015			2016			2017		
	Amount	% of total	Average rate of return(1)	Amount	% of total	Average rate of return(1)	Amount	% of total	Average rate of return(1)
	(in millions of RMB, except percentages)								
Interest income									
Standard Investment Products	804.3	23.3%	3.8%	1,045.9	19.1%	3.9%	1,516.8	20.3%	4.6%
Non-standard Credit Assets	2,652.0	76.7%	6.0%	4,424.1	80.9%	4.8%	5,960.9	79.7%	4.3%
Total	**3,456.3**	**100.0%**	**5.3%**	**5,470.0**	**100.0%**	**4.6%**	**7,477.7**	**100.0%**	**4.3%**

Note:

(1) Calculated by dividing (i) the Group's income from the corresponding assets in the period, by (ii) the average balance of these assets at the beginning and the end of the period.

In 2015, 2016 and 2017, the Group's interest income from financial investments in Non-standard Credit Assets represented 76.7%, 80.9% and 79.7%, respectively, of the Group's total income from its investment business, which remained relatively stable. The average rate of return for the Group's investment in Standard Investment Products was 3.8%, 3.9% and 4.6% in 2015, 2016 and 2017, respectively, while the average rate of return for the Group's investments in Non-standard Credit Assets was 6.0%, 4.8% and 4.3% in the same periods. The slight decreases in the Group's average rate of return of its investments were primarily due to (i) relatively loose market liquidity which caused an increase in supply of funds seeking investment returns in the market resulting in comparatively enhanced bargaining power of financing parties, and (ii) intensified market competition, where upon the interest rate liberalization, PRC commercial banks took more proactive approach to solicit loans and deposits with more attractive rates causing increased market competition, as a result of which, the Bank had to attract financing parties by offering lower interest rate in managing its investment business.

Investments in Standard Investment Products

The Group's investments in Standard Investment Products primarily comprise investments in bonds issued by the PRC Government and by banks and other financial and non-financial institutions. The table below sets forth the breakdown of the Group's debt securities investments as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
PRC government bonds	5,687.6	22.2%	10,071.0	35.8%	12,839.4	34.5%
Bonds issued by policy banks, PRC commercial banks and other financial institutions	16,676.4	65.2%	15,649.5	55.7%	23,261.0	62.6%
Bonds issued by other PRC enterprises	3,216.8	12.6%	2,401.8	8.5%	1,078.0	2.9%
Total debt securities investments	**25,580.8**	**100.0%**	**28,122.3**	**100.0%**	**37,178.4**	**100.0%**

As of December 31, 2015, 2016 and 2017, the Group held debt securities investments with an aggregate carrying amount of RMB25,580.8 million, RMB28,122.3 million and RMB37,178.4 million, respectively. For the years ended December 31, 2015, 2016 and 2017, the interest income generated from the Group's investments in debt securities amounted to RMB804.3 million, RMB1,045.9 million and RMB1,516.8 million, respectively.

When investing in bonds, the Group conducts scenario analysis through various analytical tools on market risks such as adverse movement of asset prices and adverse movement of benchmark rates in the market, and formulates corresponding contingency plans and makes adjustments to the Group's investment strategies in a timely manner. For details, please see "Risk Management – Market Risk Management-Interest Rate Risk – Interest Rate Risk Management".

During the Track Record Period, the Group also invested in debt securities issued by the PRC LGFVs. As of December 31, 2015, 2016 and 2017, the Group's exposure to investments in debt securities issued by LGFVs amounted to RMB1,940.6 million, RMB42.5 million, and RMB35.4 million, respectively. Please see "Risk Factors – The Group's asset quality, financial condition or results of operation may be materially and adversely affected if the repayment ability of LGFVs deteriorates or the government policies affecting LGFVs change."

Investments in Non-standard Credit Assets

The Group's investments in Non-standard Credit Assets mainly include investments in trust plans, asset management plans and wealth management products issued by other PRC commercial bank.

As of December 31, 2015, 2016 and 2017, the Group's investment in Non-standard Credit Assets amounted to RMB54,101.7 million, RMB129,209.7 million and RMB151,251.3 million, respectively, accounting for 25.6%, 41.2% and 40.9%, respectively, of the Group's total assets as of the same dates. For the years ended December 31, 2015, 2016 and 2017, interest income generated from the Group's investments in Non-standard Credit Assets amounted to RMB2,652.0 million, RMB4,424.1 million and RMB5,960.9 million, respectively, accounting for 26.1%, 34.6% and 38.7%, of the Group's total interest income, respectively, for the same periods. For details on results of the Group's investments in Non-standard Credit Assets during the Track Record Period, please see "Assets and Liabilities – Assets – Investments".

The table below sets forth the breakdown of interest income and rates of return of the Group's Non-standard Credit Assets by product type for the periods indicated.

	For the year ended December 31,					
	2015		2016		2017	
	Amount	Average Rate of Return(1)	Amount	Average Rate of Return(1)	Amount	Average Rate of Return(1)
	(in millions of RMB, except percentages)					
Trust plans	2,115.5	7.1%(2)	2,469.7	6.8%(2)	3,101.4	5.7%(2)
Asset management plans	412.2	3.6%	1,744.6	4.7%	2,751.0	4.6%
Wealth management products issued by other PRC commercial banks	124.3	6.3%(3)	209.8	5.7%(3)	108.5	2.2%(3)
Investment funds and others	–	–	–	–	–	–
Total	**2,652.0**	**6.0%**	**4,424.1**	**4.8%**	**5,960.9**	**4.3%**

Notes:

(1) Calculated by dividing (i) the Group's income from the corresponding assets in the period, by (ii) the average balance of the assets at the beginning and the end of the period.

(2) The average rate of return of the Group's investments in trust plans were relatively lower in 2017 than in 2015 and 2016, primarily due to intensified market competition.

(3) The average rate of return of the Group's investments in wealth management products issued by other PRC commercial banks was relatively lower in 2017 than in 2015 and 2016, primarily due to intensified market competition.

The average rates of return for the Group's investments in trust plans and wealth management products were comparatively high in 2015 primarily due to comparatively high market interest rates driven by tight market liquidity in 2015.

For details of the average yield of the Group's investments in Standard Investment Products, Non-standard Credit Assets and other financial assets by IFRS accounting standard classification (that is financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables), see "Financial Information – Results of Operation For The Year Ended December 31, 2016 and 2017 – Net Interest Income" and "Financial Information – Results of Operation For The Years Ended December 31, 2015 and 2016 – Net Interest Income".

The following table sets forth the breakdown of the Group's investments in Non-standard Credit Assets by their underlying assets as of December 31, 2017.

	As of December 31, 2017					
	Trust plans	Asset management plans	Wealth management products issued by other PRC commercial banks	Investment funds and others	Total	% of total
	(in millions of RMB, except percentages)					
Debt securities	1,459.8	29,841.0	–	–	31,300.8	20.6%
Bank deposits	–	1,042.8	–	–	1,042.8	0.7%
Fixed-income credit assets	61,099.6	32,304.4	–	–	93,404.0	61.8%
Wealth Management Products	–	–	4,020.3	–	4,020.3	2.7%
Asset pool/fund pool[1]	4,821.5	1,309.8	–	14,730.3	20,861.6	13.8%
Bank acceptance bills	–	611.5	–	–	611.5	0.4%
Other	–	–	–	10.3	10.3	–
Total	**67,380.9**	**65,109.5**	**4,020.3**	**14,740.6**	**151,251.3**	**100.0%**

Note:

(1) Represents the portfolio which is managed by securities companies and trust companies and other companies on a discretionary basis, primary including bond repurchase, bank deposits and interbank investment.

The table below sets forth the breakdown of the Group's investments in Non-standard Credit Assets by types of guarantees as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Secured by collateral[(1)]						
Mortgage with land or properties	20,151.3	37.3%	9,443.5	7.3%	5,797.4	3.7%
Pledged with equity interests in listed companies	756.2	1.4%	399.3	0.3%	740.1	0.5%
Pledged with equity interests in unlisted companies	1,767.5	3.3%	2,685.2	2.1%	6,858.8	4.5%
Pledged with certificate of deposits	987.9	1.8%	1,328.1	1.0%	2,026.6	1.3%
Pledged with receivables	378.3	0.7%	1,040.8	0.8%	1,314.5	0.9%
Pledged with gold	–	–	–	–	295.2	0.2%
Sub-total	**24,041.2**	**44.5%**	**14,896.9**	**11.5%**	**17,032.6**	**11.1%**
Secured by guarantees						
Third-party guarantee from unlisted companies[(1)]	7,240.5	13.4%	10,455.7	8.1%	45,545.9	30.1%
Third-party guarantee from listed company	–	–	–	–	418.4	0.3%
Third-party guarantee from individuals	554.2	1.0%	245.6	0.2%	228.1	0.2%
Sub-total	**7,794.7**	**14.4%**	**10,701.3**	**8.3%**	**46,192.4**	**30.6%**
Unsecured[(2)]						
Securities companies	6,128.8	11.3%	31,893.8	24.7%	28,609.0	18.9%
Asset management companies	0.0	0.0%	1,786.1	1.4%	984.3	0.7%
Funds companies	213.3	0.4%	36,952.5	28.6%	20,828.0	13.8%
Trust companies	7,316.4	13.5%	6,629.1	5.1%	9,221.7	6.1%
Banks	8,607.3	15.9%	26,350.0	20.4%	28,383.3	18.8%
Sub-total	**22,265.8**	**41.1%**	**103,611.5**	**80.2%**	**88,026.3**	**58.3%**
Total	**54,101.7**	**100.0%**	**129,209.7**	**100.0%**	**151,251.3**	**100.0%**

Notes:

(1) Assets secured by mortgage and third-party guarantee in the same time are classified as mortgage. Assets secured by pledge and third-party guarantee in the same time are classified as pledge. Assets secured by third-party guarantee from companies and individuals in the same time are classified as company guarantee.

(2) During the Track Record Period, the Group's unsecured investment mainly comprised investments in securities companies, funds companies and banks. Each category is set forth based on nature of counterparties involved in relevant investment. For these three types of investment, the underlying assets mainly include (i) securities products such as debt securities; (ii) monetary markets funds and bonds funds; and (iii) fixed-income credits assets such as asset-backed securities, respectively.

In line with the Group's risk management policy, the Group cautiously selects investment target taking into account various factors, including, the creditworthiness of counterparties, nature and liquidity of underlying assets. In particular, in managing its unsecured investment in Non-Standard Credit Assets during the Track Record Period, the Group primarily made investments to those products issued by counterparties with strong creditworthiness and good track record of risk management and credit rating, where underlying assets enjoy good liquidity, such as debt securities, monetary market funds and bond funds issued by the PRC Government, assets-backed securities and deposit certificates issued by PRC banks. For details on the Group's risk management on its investment in Non-standard Credit Assets, please also see the section headed "Risk Management – Credit Risk Management – Credit Risk Management for the Group's Financial

Markets Business." In line with prevailing market practice respect of investment in relevant products, the Group does not require such investment to be secured by collateral or guarantees. Furthermore, the Group sets provisions for impairment losses on unsecured investments in Non-standard Credit Assets in line with its accounting policies and conducts periodic review and assessment in this respect. As of December 31, 2017, the Group's provisions for impairment losses on unsecured investments in Non-standard Credit Assets amounted to RMB267.8 million and the Group is of the view that such provision is sufficient. Please also see the section headed "Risk Factors – The Group's allowance for impairment losses on loans and investments may not be sufficient to cover the actual losses in the future."

The table below sets forth the breakdown of the Group's investment in Non-standard Credit Assets by the types of guarantees and types of products as of the dates indicated.

	As of December 31, 2017					
	Trust plans	Asset management plans	Wealth management products issued by other financial institutions(1)	Investment funds and others	Total	% of total
	(in millions of RMB, except percentages)					
Secured by collateral						
Mortgaged with land or properties	5,797.4	–	–	–	5,797.4	3.7%
Pledged with equity interests in listed companies	740.1	–	–	–	740.1	0.5%
Pledged with equity interests in non-listed companies	2,774.5	4,084.3	–	–	6,858.8	4.5%
Pledged with certificate of deposits	983.8	1,042.8	–	–	2,026.6	1.3%
Pledged with receivables	1,314.5	–	–	–	1,314.5	0.9%
Pledged with gold	295.2	–	–	–	295.2	0.2%
Sub-total	**11,905.5**	**5,127.1**	**–**	**–**	**17,032.6**	**11.1%**
Secured by guarantee						
Third-party guarantee from unlisted companies	21,364.5	24,181.4	–	–	45,545.9	30.1%
Third-party guarantee from listed companies	418.4	–	–	–	418.4	0.3%
Third-party guarantee from individuals	167.3	60.8	–	–	228.1	0.2%
Sub-total	**21,950.2**	**24,242.2**	**–**	**–**	**46,192.4**	**30.6%**
Unsecured						
Securities companies	–	28,609.0	–	–	28,609.0	18.9%
Asset management companies	–	984.3	–	–	984.3	0.7%
Fund companies	–	6,097.7	–	14,730.3	20,828.0	13.8%
Trust companies	9,221.7	–	–	–	9,221.7	6.1%
Banks(1)	24,303.5	49.2	4,020.3	10.3	28,383.3	18.8%
Sub-total	**33,525.2**	**35,740.2**	**4,020.3**	**14,740.6**	**88,026.3**	**58.3%**
Total	**67,380.9**	**65,109.5**	**4,020.3**	**14,740.6**	**151,251.3**	**100.0%**

Note:

(1) As of December 31, 2017, the Group had investments in principal protected wealth management products and non-principal protected wealth management products issued by other PRC commercial banks which amounted to RMB3,308.9 million and RMB711.4 million, respectively.

For the Group's risk management with respect to its unsecured investments in Non-standard Credit Assets, please see "Risk Management – Credit Risk Management – Credit Risk Management for the Group's Financial Markets – Credit Risk Management for Investments in Standard Investment Products and Non-standard Credit Assets – Investments in Non-standard Credit Assets".

The table below sets forth, as of December 31, 2017, the distribution of the Group's investments in trust plans and asset management plans by industry classification.

	As of December 31, 2017			
	Trust plans	Asset management plans	Total	% of total
	(in millions of RMB, except for percentages)			
Manufacturing	3,733.5	885.1	4,618.6	3.6%
Real estate	7,425.6	3,287.0	10,712.6	8.1%
Wholesale and retail trade	420.2	–	420.2	0.3%
Leasing and commercial services	2,521.6	3,945.1	6,466.7	4.9%
Water conservancy, environment and public facility	18,816.2	22,599.4	41,415.6	31.3%
Construction	553.2	–	553.2	0.4%
Finance	32,172.2	33,873.0	66,045.2	49.9%
Agriculture, forestry, animal husbandry and fishery	295.2	295.2	590.4	0.4%
Public administration, social security and social organizations	–	141.1	141.1	0.1%
Transportation, storage and postal services	637.7	–	637.7	0.5%
Education	188.2	–	188.2	0.1%
Culture, sports and entertainment	617.3	83.6	700.9	0.5%
Total	**67,380.9**	**65,109.5**	**132,490.4**	**100.0%**

The table sets forth the five largest financing parties under the Group's trust plans as of the dates indicated.

	As of December 31, 2015		
	Industry	Amount	% of investments in trust plans
		(in millions of RMB, except percentages)	
Borrower A	Water conservancy, environment and public facilities management	1,000.0	3.2%
Borrower B	Water conservancy, environment and public facilities management	900.0	2.9%
Borrower C	Real estate	824.0	2.6%
Borrower D	Real estate	550.0	1.8%
Borrower E	Water conservancy, environment and public facilities management	500.0	1.6%
Total		**3,774.0**	**12.1%**

	As of December 31, 2016		
	Industry	**Amount**	**% of investments in trust plans**
		(in millions of RMB, except percentages)	
Borrower F	Water conservancy, environment and public facilities management	1,000.0	2.4%
Borrower A	Water conservancy, environment and public facilities management	1,000.0	2.4%
Borrower G	Water conservancy, environment and public facilities management	900.0	2.1%
Borrower H	Real estate	700.0	1.7%
Borrower I	Water conservancy, environment and public facilities management	600.0	1.4%
Total		**4,200**	**10.0%**

	As of December 31, 2017		
	Industry	**Amount**	**% of investments in Trust plans**
		(in millions of RMB, except percentages)	
Borrower J	Real estate	1,979.0	2.9%
Borrower K	Water conservancy, environment and public facilities management	1,600.0	2.4%
Borrower L	Water conservancy, environment and public facilities management	1,500.0	2.2%
Borrower M	Water conservancy, environment and public facilities management	1,400.0	2.1%
Borrower A	Water conservancy, environment and public facilities management	1,000.0	1.5%
Total		**7,479.0**	**11.1%**

The table below sets forth the five largest financing parties under asset management plans invested by the Group as of the dates indicated.

	As of December 31, 2015		
	Industry	Amount	% of investments in asset management plans
		(in millions of RMB, except percentages)	
Borrower AA	Water conservancy, environment and public facilities management	1,500.0	7.4%
Borrower AB	Manufacturing	500.0	2.5%
Borrower AC	Water conservancy, environment and public facilities management	500.0	2.5%
Borrower AD	Real estate	340.0	1.7%
Borrower AE	Leasing and business services	250.0	1.2%
Total		**3,090.0**	**15.3%**

	As of December 31, 2016		
	Industry	Amount	% of investments in asset management plans
		(in millions of RMB, except percentages)	
Borrower AF	Water conservancy, environment and public facilities management	2,000.0	3.7%
Borrower AG	Water conservancy, environment and public facilities management	1,500.0	2.8%
Borrower AH	Water conservancy, environment and public facilities management	1,000.0	1.8%
Borrower AI	Leasing and business services	948.8	1.8%
Borrower AJ	Water conservancy, environment and public facilities management	675.0	1.2%
Total		**6,123.8**	**11.3%**

	As of December 31, 2017		
	Industry	Amount	% of investments in asset management plans
		(in millions of RMB, except percentages)	
Borrower AK	Water conservancy, environment and public facilities management	2,765.0	4.2%
Borrower AL	Water conservancy, environment and public facilities management	2,625.0	4.0%
Borrower AM	Real estate	2,340.0	3.6%
Borrower AN	Water conservancy, environment and public facilities management	2,100.0	3.2%
Borrower AO	Leasing and business services	2,000.0	3.1%
Total		**11,830.0**	**18.1%**

The table below sets forth, as of December 31, 2017, the breakdown of the Group's investments in each type of Non-standard Credit Assets by remaining maturity.

	As of December 31, 2017					
	Trust plans	Asset management plans	Wealth management products issued by other PRC commercial banks	Investment Funds and others	Total	% of total
	(in millions of RMB, except for percentages)					
Due within 3 months	8,195.4	1,924.9	3,308.9	14,730.3	28,159.5	18.7%
Due over 3 months up to 1 year	9,590.1	3,885.4	711.4	–	14,186.9	9.4%
Due over 1 year up to 5 years	39,729.4	39,595.7	–	–	79,325.1	52.4%
Due over 5 years	9,212.2	19,703.5	–	–	28,915.7	19.1%
Indefinite	–	–	–	10.3	10.3	0.0%
Subtotal	**66,727.1**	**65,109.5**	**4,020.3**	**14,740.6**	**150,597.5**	**99.6%**
Overdue	653.8	–	–	–	653.8	0.4%
Total	**67,380.9**	**65,109.5**	**4,020.3**	**14,740.6**	**151,251.3**	**100.0%**

The Group takes proactive measures to improve and maintain the liquidity of Non-standard Credit Assets. As of December 31, 2017, approximately 28.1% of Non-standard Credit Assets portfolios had remaining maturities less than one year. To further mitigate the Group's liquidity risks associated with its investments in Non-standard Credit Assets, the Group also formulated a fund position management contingency plan to deal with extreme situations where the Group expects the disposal of Non-standard Credit Assets may not provide sufficient liquidity for the Group's normal business operations. According to the fund position management contingency plan, the Group closely monitors its liquidity risks and makes routine liquidity assessments for the management's review. Upon occurrence of potential liquidity risks, the Group would, according to the severity of relevant situations, take measures to ensure reliability and sufficiency of the Group's funding sources and improve the Group's assets and liability mix. Measures include the control or suspension of the development of certain new asset businesses, such as bond investments, bill discounting, loan extension, placements and deposits with banks and other financial institutions, and disposal of certain assets to maintain sufficient liquidity support. For details, please see "Risk Management – Liquidity Risk Management" and "Risk Factors – Risks Relating to The Group's Business – Any adverse development in relation to the Group's investments in Non-standard Credit Assets may materially and adversely affect the Group's profitability and liquidity."

As of December 31, 2017, 0.4% of the Group's total investment in Non-standard Credit Assets had overdue payment of principal and/or interests, primarily due to slowdown of economic growth in China or operating difficulties of relevant enterprises in recent years, resulting in operational difficulties of underlying ultimate borrowers in relevant trust plans or asset management plans that operate in different industries, including real estate, manufacturing, culture, sport and entertainment. The Group has undertaken proactive measures to mitigate relevant risks associated with the above-mentioned overdue investments, including disposing the underlying collateral assets, demanding immediate payment and initiating necessary litigation.

The Group assesses the investments in Non-standard Credit Assets regularly to determine whether there is any objective evidence for impairments, and, if so, the amount of impairment losses. As of December 31, 2017, the Group had made provisions for impairment losses on its overdue investment in the above-mentioned assets in an amount of RMB483.5 million in accordance with the requirements under IFRS and the Group's accounting policies. As the overdue investment in the above-mentioned assets were all secured by guarantees or collateral, and in line with its accounting policies where the Group regularly assessed the estimated recoverable amount of all overdue investment, the Group believes that it has made sufficient allowance to cover the estimated losses on the Group's overdue investments in Non-standard Credit Assets.

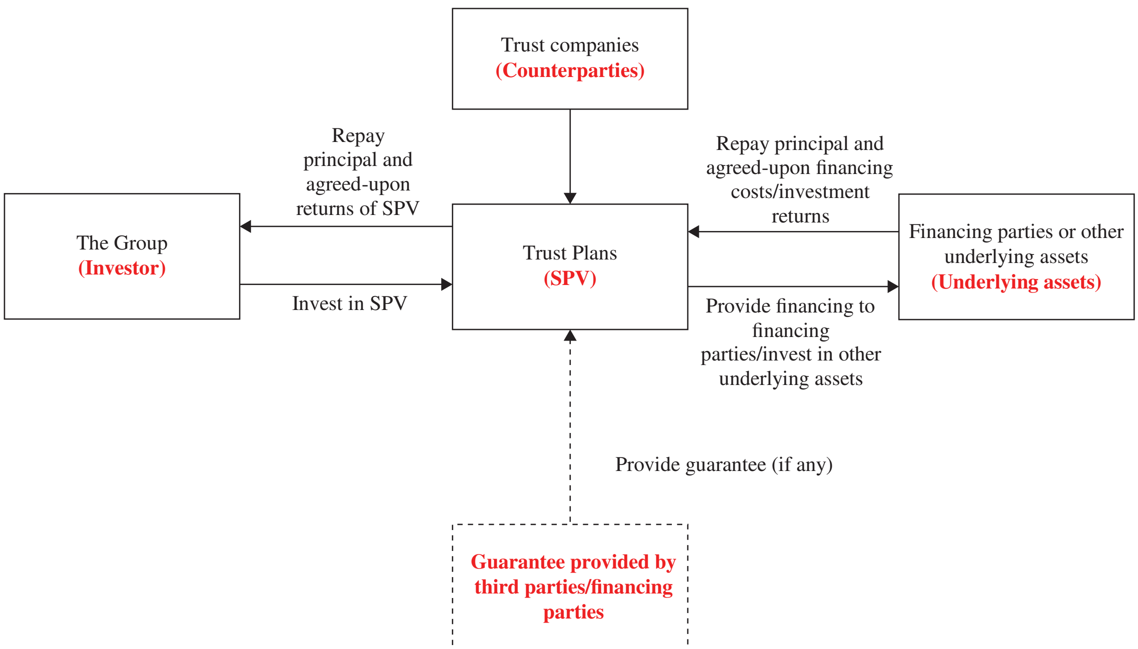
The Group intends to cautiously expand its operations in relation to investments in Non-standard Credit Assets in compliance with relevant laws, regulations and the Group's internal risk management measures, to achieve stable returns with manageable risks. For details of the Group's risk management measures for Non-standard Credit Assets, please see "Risk Management – Credit Risk Management – Credit Risk Management for The Group's Financial Markets Business – Credit Risk Management for Investments in Standard Investment Products and Non-Standard Credit Assets – Investments in Non-Standard Credit Assets". Please also see "Supervision and Regulation – Regulations on Principal Commercial Banking Activities – Interbank Business" for details on relevant rules and regulations.

Trust Plans

Through investing in trust plans managed by trust companies, the Group entrusts trust companies to manage its funds. The trust companies then provide financing to the financing parties as principals.

As of December 31, 2015, 2016 and 2017, the balance of the Group's investments in trust plans was RMB31,256.0 million, RMB41,911.4 million and RMB67,380.9 million, respectively.

The financing parties' obligations owed to the trust companies are secured by mortgages or pledges granted by the financing parties or third parties on their properties to the trust companies or by the irrevocable joint and several liability guarantees provided by relevant third parties to the trust companies. The financing parties use the funds provided by trust companies for business operations, and shall repay the principal as well as the agreed-upon returns pursuant to the trust terms. The following chart illustrates the relationship among the parties involved in the Group's investments in trust plans:



The following table sets forth the breakdown of the Group's investments in trust plans in terms of underlying assets as of the date indicated:

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Debt Securities	2,117.7	6.8%	–	–	1,459.8	2.1%
Fixed-income credit assets	25,829.7	82.6%	38,279.1	91.3%	61,099.6	90.7%
Wealth Management Products	–	–	50.0	0.1%	–	–
Assets Pool/fund pools	3,308.6	10.6%	3,582.3	8.6%	4,821.5	7.2%
Total	**31,256.0**	**100.0%**	**41,911.4**	**100.0%**	**67,380.9**	**100.0%**

During the Track Record Period, all of the Group's counterparties for trust plans were licensed to conduct their trust businesses under applicable laws and regulations. In each year of the Group's Track Record Period, the top five counterparties of the Group's investments in trust plans were sizable state-owned or private enterprises with sound reputation. As of December 31, 2015, 2016 and 2017, the Group's investments in trust plans managed by the five largest counterparties accounted for 86.7%, 80.9% and 67.3% of the Group's total investments in trust plans, respectively. The table below sets forth the Group's five largest trust company counterparties as of the dates indicated.

	As of December 31, 2015				
	Nature	**Total assets as of December 31, 2015[1]**	**Regulatory ratings/ Credit ratings[2]**	**Amount**	**% of investments in trust plans**
	(in millions of RMB, except percentages)				
Company BA	State-owned	8,609.4	A	14,390.9	46.0%
Company BB	State-owned	2,189.7	B	5,939.4	19.0%
Company BC	State-owned and private	4,709.8	A	2,622.5	8.4%
Company BD	State-owned and private	20,521.8	A	2,490.5	8.0%
Company BE	Financial institution holding	10,967.9	B	1,659.7	5.3%
Total				**27,103.0**	**86.7%**

	As of December 31, 2016				
	Nature	**Total assets as of December 31, 2016[1]**	**Regulatory ratings/ Credit ratings[2]**	**Amount**	**% of investments in trust plans**
	(in millions of RMB, except percentages)				
Company BA	State-owned	8,713.9	A	14,390.2	34.3%
Company BF	State-owned	2,407.8	B	6,405.2	15.3%
Company BG	State-owned	14,671.6	A	5,661.6	13.5%
Company BH	Financial institution holding	10,733.2	B	4,722.6	11.3%
Company BI	Financial institution holding	130,331.1	A	2,741.3	6.5%
Total				**33,920.9**	**80.9%**

	As of December 31, 2017				
	Nature	Total assets as of December 31, 2017[3]	Regulatory ratings/ Credit ratings[2]	Amount	% of investments in trust plans
	(in millions of RMB, except percentages)				
Company BA	State-owned	11,840.2	A	25,474.8	37.8%
Company BJ	State-owned	14,014.3	A	7,121.3	10.6%
Company BK	State-owned	13,033.0	B	5,850.6	8.7%
Company BG	State-owned	13,851.4	A	3,828.5	5.7%
Company BD	State-owned and private	10,996.4	A	3,007.9	4.5%
Total				**45,283.1**	**67.3%**

Notes:

(1) Source: not all of the company's annual reports are prepared on a consolidated basis.

(2) Regulatory ratings/credit ratings for 2016.

(3) The data is not publicly available.

The Group strives to improve its risk control measures to mitigate risks associated with investments in trust plans through adopting various measures, including conducting stringent checks on credit history and the business track records of relevant counterparties, keeping track of repaying abilities of guarantors, studying the PRC laws, regulations and policies that may affect the industry trend in relation to the trust products; and closely monitoring the fluctuations in market interest rate to select appropriate products.

According to relevant agreements, financing parties or third parties are generally requested to provide security to the repayment of principal and expected investment return of the Group's investments in trust plans. As of December 31, 2017, approximately 32.6% of the funds extended under the Group's investments in trust plans were secured by third-party guarantees, approximately 8.6% of such funds were secured by properties and land, and approximately 9.0% of these funds were secured by pledges of company shares, accounts receivable, certificates of deposits and gold. Approximately 49.8% of such funds was unsecured. In managing the Group's investments in trust plans, the Group only accepts collateral such as properties and land, shares in listed and unlisted companies, certificates of deposit, all with clear, legal and valid title and ownership. Where necessary, the Group engages third-party appraisal institutions to assess and determine the value of collateral. The Group typically requires the loan-to-value ratio (representing the financing amount to the value of the collateral) to be no more than 60% for properties and land, 90% for certificates of deposit, 70% to 90% depending on the types of debt securities and 40% to 60% for share pledge depending on the types of shares being pledged. The Group will review the business operations, financial condition, credit quality and the ability to repay of each of the guarantors to ensure their capabilities of performing guarantee obligations.

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 the Group's investments in trust plans should not be affected even if the trust companies encounter financial difficulties.

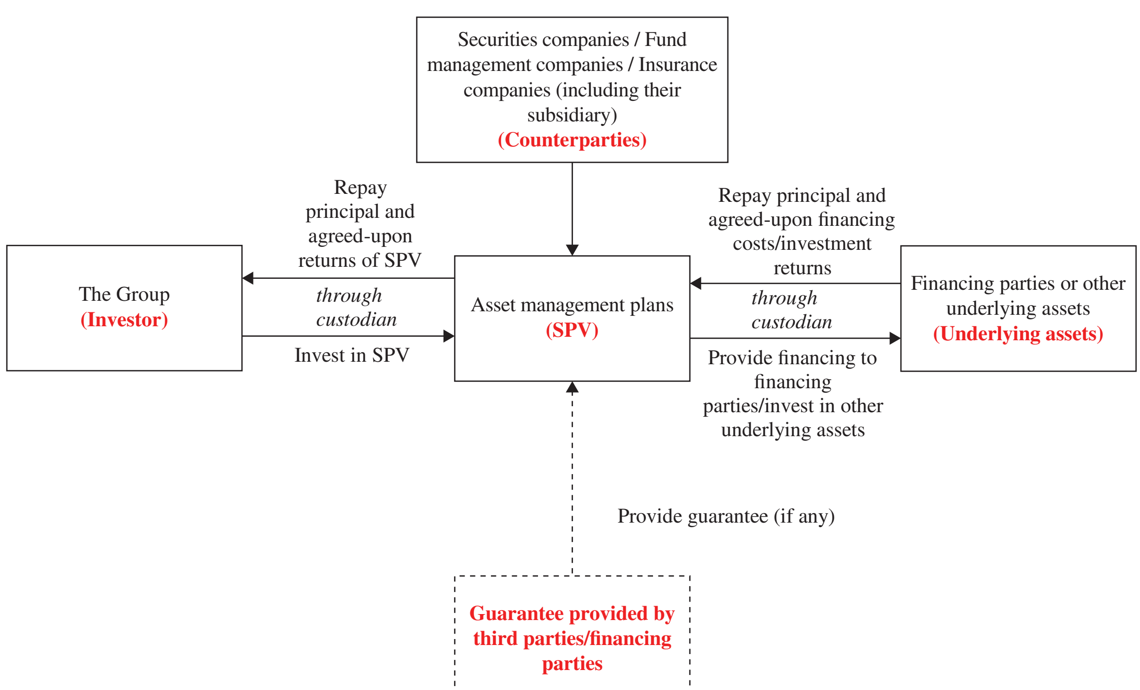
For risk management measures the Group has adopted for its investments in trust plans, please see "Risk Management – Credit Risk Management – Credit Risk Management for The Group's Financial Markets Business – Investments in Non-standard Credit Assets".

Asset Management Plans

The Group entered into asset management contracts with quality asset management companies or reputable securities companies who then proceed to invest the Group's funds in specified products, primarily including fixed-income credit assets and debt securities etc, through the Group's designated accounts with third-party custodian banks. As of December 31, 2015, 2016 and 2017, the balance of the Group's investments in asset management plans was RMB20,162.0 million, RMB54,244.8 million and RMB65,109.5 million, respectively.

The asset management contracts the Group enters into generally set out key terms including investment scope and executive procedures for asset management plans. In addition, pursuant to the terms and conditions of those contracts, the Group usually provides asset management companies or securities companies with detailed written investment instructions including investment amount, investment terms and interest rates. Asset management companies or the securities companies will be responsible for the Group's loss resulting from their management of the Group's entrusted funds if they fail to carry out the Group's investment instructions or breach the terms and conditions of the asset management contracts. Custodian banks will be responsible for any losses incurred by the asset management companies or securities companies or the Group as a result of their failure to perform custody services in accordance with the asset management contracts. Asset management companies and securities companies do not provide any guarantee in relation to the asset management plans they sponsor.

The chart below illustrates the relationship among the parties involved in the Group's investments in asset management plans:



The Group evaluates asset management companies or securities companies cooperating with the Group periodically in respect of their assets quality, regulatory compliance and reputation damages, so as to update the Group's cooperating companies list on a timely basis and thereby mitigate risk correlated with such cooperation. During the Track Record Period, all of the counterparties to the Group's investments in asset management plans were qualified under applicable laws and regulations to carry out their businesses. As of December 31, 2015, 2016 and 2017, the Group's investments in the asset management plans issued by the five largest counterparties accounted for 65.5%, 52.0% and 59.7% of the Group's total investment in asset management plans, respectively.

The table below sets forth the Group's five largest counterparties for asset management plans as of the dates indicated.

	As of December 31, 2015				
	Nature	**Total assets as of December 31, 2015[1]**	**Regulatory ratings/ Credit ratings[2]**	**Amount**	**% of investments in asset management plans**
	(in millions of RMB, except percentages)				
Company CA	Financial institution holding	193.1	N/A[2]	5,790.8	28.7%
Company CB	Private	13,076.4	A	2,530.8	12.6%
Company CC	State-owned	2,990.3	AA	1,916.0	9.5%
Company CD	Listed company	332,508.8	AA	1,481.9	7.4%
Company CE	Financial institution holding	1,421.7	N/A[2]	1,481.6	7.3%
Total				**13,201.1**	**65.5%**

	As of December 31, 2016				
	Nature	**Total assets as of December 31, 2016[1]**	**Regulatory ratings/ Credit ratings[2]**	**Amount**	**% of investments in asset management plans**
	(in millions of RMB, except percentages)				
Company CB	Private	12,225.4	BBB	7,255.6	13.4%
Company CD	Listed company	263,148.0	AA	6,485.8	12.0%
Company CF	State-owned	43,386.7	A	4,902.4	9.0%
Company CG	Listed company	152,335.5	C	4,827.3	8.9%
Company CH	Private	14,890.5	BB	4,726.9	8.7%
Total				**28,198.0**	**52.0%**

	As of December 31, 2017				
	Nature	Total assets as of December 31, 2017(3)	Regulatory ratings/ Credit ratings(2)	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)				
Company CD	Listed company	281,570.1	AA	14,598.3	22.4%
Company CI	State-owned	12,914.9	CCC	8,629.3	13.3%
Company CB	Private	15,198.9	BB	5,844.4	9.0%
Company CJ	State-owned	15,401.3	BBB	4,902.7	7.5%
Company CH	Private	22,436.2	B	4,882.4	7.5%
Total				**38,857.1**	**59.7%**

Notes:

(1) Source: not all of the company's annual reports are prepared on a consolidated basis.

(2) Source: there is no publicly available and reliable regulatory or credit rating.

(3) The data is not publicly available.

The following table sets forth the breakdown of the Group's investments in asset management plans in terms of underlying assets as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Debt securities	1,669.2	8.2%	35,740.6	65.9%	29,841.0	45.9%
Bank deposits	1,003.1	5.0%	1,010.4	1.8%	1,042.8	1.6%
Fixed-income credit assets	13,865.6	68.8%	13,024.1	24.0%	32,304.4	49.6%
Wealth management products	1,293.8	6.4%	685.6	1.3%	–	–
Asset pools/fund pools	–	–	2,802.6	5.2%	1,309.8	2.0%
Bank acceptance bills	2,330.3	11.6%	981.5	1.8%	611.5	0.9%
Total	**20,162.0**	**100.0%**	**54,244.8**	**100.0%**	**65,109.5**	**100.0%**

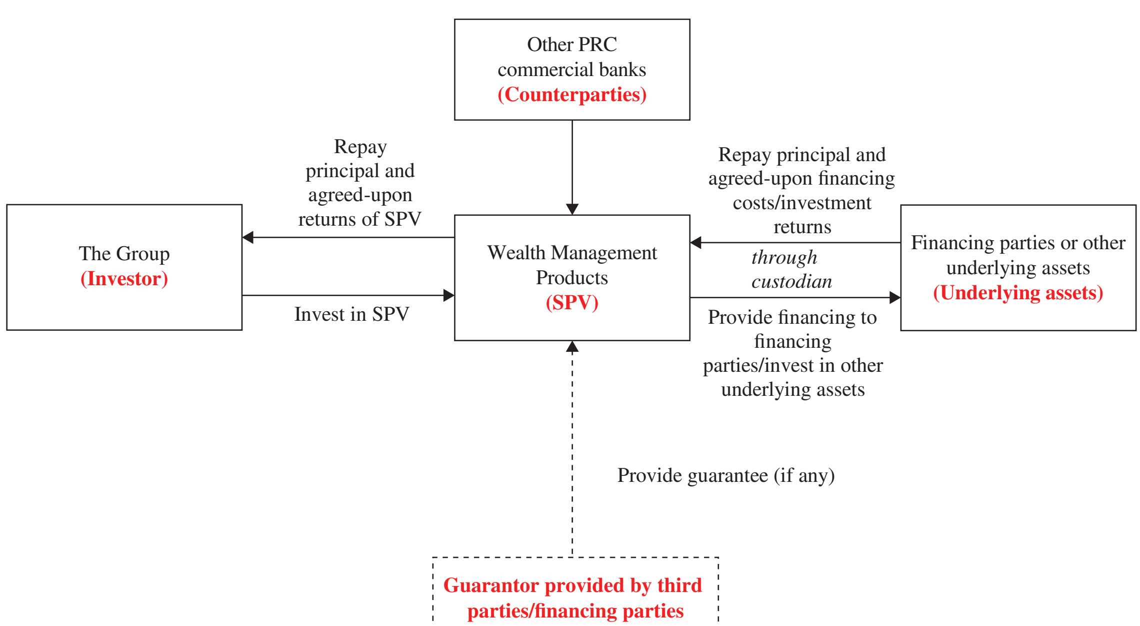
Similar to the Group's investments in trust plans, the Group only accepts collateral with clear, legal and valid title and ownership in managing investments in asset management plans. Where necessary, the Group engages third-party appraisal institutions to assess and determine the value of collateral. For details of the credit approval procedures for the Group's asset management plans, please see "Risk Management – Credit Risk Management – Credit Risk Management for the Group's Financial Markets Business – Credit Risk Management for Investments in Standard Investment Products and Non-standard Credit Assets".

Wealth Management Products Issued by Other PRC Commercial Banks

The Group invests in wealth management products issued by other PRC commercial banks. As of December 31, 2017, the Group invested in a total number of five wealth management products issued by three PRC commercial banks. These banks, as the issuers and managers of the wealth management products, may invest the proceeds in debt securities or trust plans, asset management plans and other relevant assets. During the Track Record Period, the wealth management products the Group invested in both (i) principal protected products with fixed or floating investment yields and (ii) non-principal protected products with floating investment yields depending on the portfolio investments under each product.

According to the agreements the Group entered into with other PRC commercial banks issuing wealth management products, the Group is generally required to deposit payment for purchasing relevant wealth management products to bank accounts designated by the commercial banks issuing such wealth management products. Such commercial banks generally make repayment of principal and investment yields upon the maturity of the products according to terms and conditions in relevant agreements. In addition, the commercial banks issuing relevant wealth management products are entitled to commissions and/or administration fees. Pursuant to relevant agreements, commercial banks issuing wealth management products can, at their discretion, partially or entirely terminate the agreements in advance, upon occurrence of certain events listed in the agreements, including material adverse development in general economic conditions, regulations or policies.

The following chart illustrates the relationship among the parties involved in the Group's investments in wealth management products issued by other PRC commercial banks:



As of December 31, 2015, 2016 and 2017, the top five counterparties to the Group's investments in the wealth management products issued by other PRC commercial banks accounted for 86.7%, 83.5% and 100.0%, respectively, of the Group's total investments in wealth management products issued by other PRC commercial banks as of the same dates.

The table below sets forth the Group's five largest counterparties to the Group's investments in the wealth management products issued by other PRC commercial banks as of the dates indicated.

	As of December 31, 2015				
	Nature	**Total assets as of December 31, 2015[1]**	**Credit ratings[2]**	**Amount**	**% of investments in wealth management products**
	(in millions of RMB, except percentages)				
Bank DA	City commercial bank	238,196.6	AA+	311.9	20.6%
Bank DB	City commercial bank	183,142.1	AA+	300.0	19.8%
Bank DC	City commercial bank	205,573.9	AA	300.0	19.8%
Bank DD	City commercial bank	113,027.7	AA	300.0	19.8%
Bank DE	Joint-stock commercial bank	1,068,155.7	AAA	100.6	6.7%
Total				**1,312.5**	**86.7%**

	As of December 31, 2016				
	Nature	**Total assets as of December 31, 2016[1]**	**Credit ratings[2]**	**Amount**	**% of investments in wealth management products**
	(in millions of RMB, except percentages)				
Bank DF	PRC policy bank	14,340,500.0	Aa3	2,026.6	34.9%
Bank DG	City commercial bank	186,610.2	AA+	1,001.2	17.2%
Bank DH	City commercial bank	137,732.5	AA	801.2	13.8%
Bank DI	Large commercial bank	20,963,705.0	AAA	517.5	8.9%
Bank DJ	City commercial bank	202,756.6	AA+	506.2	8.7%
Total				**4,852.7**	**83.5%**

	As of December 31, 2017[4]				
	Nature	**Total assets as of December 31, 2017[3]**	**Credit ratings[2]**	**Amount**	**% of investments in wealth management products**
	(in millions of RMB, except percentages)				
Bank DF	PRC policy bank	N/A	A1	3,308.9	82.3%
Bank DK	City commercial bank	204,497.9	AA+	506.2	12.6%
Bank DG	City commercial bank	211,660.9	AA+	205.2	5.1%
Total				**4,020.3**	**100.0%**

Notes:

(1) Source: each company's annual report, not all of which were prepared on a consolidated basis.

(2) Source: there is no publicly available and reliable regulatory or credit rating.

(3) The data is not publicly available.

(4) As of December 31, 2017, the Group only had three counterparties in its investment in the wealth management products issued by other PRC commercial banks.

As of December 31, 2015, 2016 and 2017, the balance of the Group's investments in wealth management products issued by other PRC commercial banks was RMB1,512.5 million, RMB5,810.0 million and RMB4,020.3 million, respectively. For details on risk management on the Group's investment in wealth management products, please see "Risk Management – Credit Risk Management – Credit Risk Management for the Group's Financial Markets Business – Credit Risk Management for Investments in Standard Investment Products and Non-standard Credit Assets – Investments in Non-standard Credit Assets".

Investment Funds and Others

In managing this business line, the Group mainly invests in monetary market funds and bond funds. From time to time, the Group may directly invest in debt securities when the Group deems appropriate. As of December 31, 2017, the Group's investments in investment funds and others amounted to RMB14,740.6 million.

All the investment funds in which the Group invests are subject to the supervision and regulation by the CSRC and other relevant regulatory authorities, and have the required qualifications for investment fund offerings, as well as extensive experience, established reputation and solid performance in the industry.

To manage risks associated with the Group's investment in investment funds, the Group has adopted the following measures: (i) investments are centrally managed at the Bank's head office, which is the sole responsible office for the approval and review of such investment business; (ii) the Group is required to fully understand the operations, historical performance, investment scope and strategies of the fund managers before making any investments; (iii) the investment plan shall be submitted to authorized committees for final approval; and (iv) the Group communicates with fund management companies periodically and reallocates or rearranges the Group's investments based on their operations scales and conditions.

Asset Management Business

During the Track Record Period, the Group provides asset management services to its corporate banking, retail banking and interbank customers and used the proceeds generated therein to invest in various financial products for profit. For the years ended December 31, 2015 and 2016 and 2017, wealth management products issued by the Group amounted to RMB71,427.6 million, RMB89,079.5 million and RMB96,940.3 million, respectively. The table below sets forth a breakdown, by size of each tranche, of the accumulative total amount of the wealth management products issued by the Group during the periods indicated.

	For the year ended December 31,					
	2015		2016		2017	
	Number of tranches issued	Amount of proceeds	Number of tranches issued	Amount of proceeds	Number of tranches issued	Amount of proceeds
	(in millions of RMB, except number of tranches)					
Over RMB500 million	19	18,403.8	8	5,902.4	35	19,252.5
Over RMB100 million to RMB500 million	158	33,682.5	256	68,498.7	296	62,476.3
Over RMB50 million to RMB100 million	164	12,460.9	113	9,053.5	132	9,221.1
Over RMB10 million to RMB50 million	230	6,364.6	191	5,363.4	219	5,629.5
Up to RMB10 million	88	515.8	74	261.5	69	360.9
Total	**659**	**71,427.6**	**642**	**89,079.5**	**751**	**96,940.3**

In designing the Group's wealth management products, the Group studies specific demands of different groups of target customers in the market and adjusts the specifications of its products accordingly. While mitigating the risks based on customers' risk tolerance, the Group seeks to maximize returns to its customers by market anticipation and the integrated use of various investment strategies and techniques during the investment management process. The Group also emphasizes providing customers with convenient access to such products at the Group's distribution network and online platforms. In 2007, the Group began to issue a series of wealth management products under the brand "Bubu Weiying (步步為贏)", "Xiangrui (祥瑞)", "Bubu Weiying Bond (步步為贏債券)" and "Yousheng Financial (優盛理財)", containing both principal protected and non-principal protected wealth management products, to retail banking customers and corporate customers. For details, please see "– Corporate Banking – Other Fee- and Commission-Based Corporate Banking Products and Services – Corporate Wealth Management Services" and "– Retail Banking – Other Fee-and Commission-Based Retail Banking Products and Services – Personal Wealth Management Services".

The table below sets forth the breakdown of wealth management products issued by the Group into principal protected and non-principal protected products as of the dates indicated.

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Principal protected products	11,824.5	16.6%	8,677.9	9.7%	9,127.1	9.4%
Non-principal protected products	59,603.1	83.4%	80,401.6	90.3%	87,813.2	90.6%
Total	**71,427.6**	**100.0%**	**89,079.5**	**100.0%**	**96,940.3**	**100.0%**

In compliance with the CBRC's requirements, the Group establishes a separate book keeping system for each of its wealth management products to manage them separately. Pursuant to the Measures for the Administration of the Sale of Wealth Management Products of Commercial Banks (《商業銀行理財產品銷售管理辦法》) (CBRC Order [2011] No. 5) issued by the CBRC in 2011, the Group classifies its wealth management products into five categories based on their risk levels: Level 1 refers to low risk; Level 2 refers to low-medium risk; Level 3 refers to medium risk; Level 4 refers to medium-high risk and Level 5 refers to high risk. During the Track Record Period, the Group correlated the risk levels of its wealth management products to the risk tolerance level of customers and only issued Level 1, Level 2, Level 3 and Level 4 products. The Group has not issued any Level 5 wealth management product during the Track Record Period. The table below sets forth details of the wealth management products issued by the Group by different levels of risk during the periods indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Risk Level						
Level 1	11,824.5	16.6%	8,677.9	9.7%	9,127.1	9.4%
Level 2	52,912.2	74.1%	72,730.0	81.7%	74,054.6	76.4%
Level 3	6,668.9	9.3%	7,671.6	8.6%	13,758.6	14.2%
Level 4	22.0	–	–	–	–	–
Total	**71,427.6**	**100.0%**	**89,079.5**	**100.0%**	**96,940.3**	**100.0%**

The Group invested the proceeds from its wealth management products mainly in Standard Investment Products, Non-standard Credit Assets and Others. The table below sets forth breakdown of the outstanding amount of the Group's wealth management products by type of investments as of the dates indicated:

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)					
Standard Investment Products	29,761.7	76.2%	39,123.7	74.4%	21,828.5	62.3%
Non-standard Credit Assets	4,312.7	11.1%	8,316.6	15.8%	8,702.6	24.8%
Others(1)	4,964.5	12.7%	5,151.7	9.8%	4,509.4	12.9%
Total	**39,038.9**	**100.0%**	**52,592.0**	**100.0%**	**35,040.5**	**100.0%**

Note:

(1) Primarily include funds and asset-backed securities.

During the Track Record Period and as of the Latest Practicable Date, all wealth management products issued by the Group had been under normal operation with the payment of principal and interest duly made without any default.

Debt Securities Underwriting and Distribution

Since the establishment of the Bank, the Bank strived to develop its debt securities underwriting and distribution business to provide the Bank's customers with comprehensive financial services and further leverage its strong capacity in managing capital market transactions and broad customer base. In addition, in October 2016, the Group obtained the qualification from NAFMII to underwrite debt financing instruments for non-financial enterprises. In addition, the Group has been awarded "Debt Securities Business Improvement (債券業務進步獎)" in 2016 by China Central Depository & Clearing Co., Ltd., "The Best Group for Financial Bond Syndicate in 2015"("2015年度金融債承銷團最佳新團員獎") in August 2016 by the Export-Import Bank of China.

Throughout 2016, the Group completed 67 debt securities projects as an underwriter, with an accumulative underwriting amount of RMB14.2 billion. In 2017, the Group completed 741 debt securities offerings as an underwriter, with an accumulative underwriting amount of RMB121.3 billion. In 2015, 2016 and 2017, the aggregate principal amount of debt securities that were underwritten and distributed by the Group amounted to RMB22.5 billion, RMB23.9 billion and RMB170.4 billion respectively.

Bill Discounting and Rediscounting

The Group engaged in interbank discounts of commercial bills with other qualified financial institutions or rediscounts of commercial bills with the PBoC, to generate working capital and income from interest spreads. The Group offers interbank discount services such as bills buyout, bills sell-out, bills held under reverse repurchase agreements and bills held under repurchase agreements. The Group rediscounts bills in accordance with the regulations of the PBoC.

Credit Assets Securitization

The Group also provides securitization of credit assets to its corporate customers. The Group is one of the first 27 commercial banks that obtained approval from CBRC to issue credit assets securitization. Securitization of credit assets is structured finance product sponsored by the Group through which the Group entrusts credit assets to a trustee and the trustee issues asset-backed securities to institutional investors. Cash flows from the securitized credit assets are used to pay the returns on the asset-backed securities. The Group had successfully issued the first phase of interbank credit asset securitization project in 2014. In 2015, the Bank was awarded the "Best Asset-backed Securities New Business Award" ("最佳資產證券化新業務獎") by *The Modern Economist*.

As of December 31, 2017, the Group has issued credit assets securitization products in the amount of RMB1.6 billion.

Financial Leasing Company

The Group established Jiangxi Financial Leasing in November 2015 focusing in developing its financial leasing business, being the first financial leasing company established in Jiangxi Province. As of the Latest Practicable Date, the Group held 75.74% of its equity interest and voting rights.

As of December 31, 2017, Jiangxi Financial Leasing received a long-term corporate rating of AA+ from China Lianhe Credit Rating Co., Ltd (聯合資信評估有限公司). Its main business scope includes financial leasing, sale and leaseback, operating lease and rental income transfer. It offers its services to a broad range of industries nationwide such as water conservancy, environment, public facilities management and manufacturing. The Group's management of Jiangxi Financial Leasing is largely in line with its approach to expand its financial leasing market. The Group believes that its financial leasing business benefits from its synergies with its strong corporate banking business and could promote cross-selling opportunities within the Group. The Group could in turn further enhance its leading market positions and improve customer loyalty by offering a more comprehensive set of financial products and services.

The Group reviews and approves annual budget and key performance indicators and risk management measures of Jiangxi Financial Leasing in line with its risk management policies. The Financial Leasing Company is requested to make reports to the Board of Directors of the Bank regularly discussing material aspect of its business operations, financial condition and risk management. For details, please also see "Risk Management – Risk Management in relation to Jiangxi Financial Leasing".

As of December 31, 2017, the average balance of leased assets of corporate customers was RMB148.2 million, and 45 corporate customers recorded a balance of leased assets of RMB100.0 million or above, representing 68.2% of the total number of corporate customers. As of the same date, by balance of the leased assets, the balance of each leasing project amounted to RMB101.9 million on average; by balance of assets, the weighted average unexpired lease term is 3.77 years.

For the years ended December 31, 2015, 2016 and 2017, Jiangxi Financial Leasing recognized a net profit of RMB0.5 million, RMB82.7 million, and RMB101.2 million, respectively. As of December 31, 2017, total assets of Jiangxi Financial Leasing amounted to RMB11,594.2 million.

Village and Township Banks

As of December 31, 2017, the Bank held 28.2% equity interest in Nanchang Dafeng County Bank, 30.0% equity interest in Nanfeng Judu County Bank, 20% equity interest in Siping Tiedong Defeng County Bank, 30.0% equity interest in Guangchang Nanyin County Bank and 30.0% equity interest in Jinxian Ruifeng County Bank. These banks provide deposit and loan services to local customers in their respective villages and towns. For further details, please see "Assets and Liabilities – Other Components of the Group's Assets".

None of these village and township banks made significant contribution to the Group's results of operation during the Track Record Period.

Risk Management of Village and Township Banks

In compliance with the requirements of CBRC, the village and township banks maintain their independent and autonomous operations. Although the Bank does not directly participate in the village and township banks' daily operations, the Bank conducts overall supervision and strategic guidance over their decision-making processes that are of significance in their development.

In addition, the Group has established an internal reporting mechanism covering its village and township banks to ensure timely and effective reporting to the headquarters upon occurrence of material and incidents. For details, please see "Risk Management – Reputational Risk Management".

Each of the village and township banks has established its own anti-money laundering system and procedures, respectively, in strict compliance with the applicable rules and regulations promulgated by the PBoC. As an independent legal entity, each of the five village and township banks is responsible for conducting its own anti-money laundering analysis, identifying and monitoring suspicious transactions and keeping record of large transactions based on its knowledge and available information of its customers.

However, the Bank does provide support, guidance and regular training to, and supervise when necessary, the implementation of anti-money laundering policies of each village and township bank, notwithstanding the above mentioned autonomous operation models.

ACQUISITION OF JINGDEZHEN CITY COMMERCIAL BANK

In December 2015, pursuant to Notice on the issuance of establishment plan for Jiangxi Bank Co., Ltd. (GanFu 2015 No. 85) ("《關於印發江西銀行股份有限公司組建方案的通知》贛府字[2015] 85號") issued by People's Government of Jiangxi Province and Yinjianfu 2015 No. 658 (Approval of the Acquisition of Jingdezhen City Commercial Bank by Nanchang Bank) ("銀監覆[2015] 658 號《關於南昌銀行吸收合併景德鎮市商業銀行的批覆》") promulgated by the CBRC, the Bank, formerly known as Nanchang Bank Co. Ltd., acquired Jingdezhen City Commercial Bank Co. Ltd by acquiring its entire equity interest at a consideration of RMB1.3 billion in December 2015 and subsequently changed its name to Jiangxi Bank Co., Ltd. Upon completion of the Acquisition, the Bank became the only city commercial bank directly administrated by Jiangxi Province and has substantially improved its market recognition and brand awareness. In addition, through consolidation, the Group managed to improve its market penetration and coverage throughout Jiangxi Province and enhanced its competitiveness in offering quality products and services to clients. For further details, please also see "History and Development – Major Acquisition" and Note 42 of the Appendix I to this Prospectus.

PRICING

In compliance with applicable PRC regulatory requirements, the Group has established a competitive pricing mechanism. In determining the price of the Group's products and services, the Group takes into account various factors, including cost of funds, management costs, risk exposure and expected yield. The Group also evaluates the overall market conditions as well as prices for similar products and services offered by the Group's competitors. The Group's pricing policies and benchmark prices are formulated and determined by Assets and Liabilities Management Committee at the Group's head office. The Group's business units determine specific prices for their products and services within their respective authorizations granted by the Planning and Finance Department at the Group's head office.

Loans

The PBoC regulates the pricing for certain commercial banking products and services such as the Group's RMB-denominated loans. On July 20, 2013, the PBoC lifted restrictions on interest rates financial institutions can charge, and abolished the minimum rates for RMB-denominated loans (except for the personal housing loan interest rate). According to the current PBoC rules, the Group may charge interest rates through commercial negotiations. With respect to interest rates for residential mortgage loans, under a notice issued by the State Council, effective from October 27, 2008, the lowest interest rate the Group may charge for personal housing loans is 70.0% of the PBoC benchmark interest rate of the same term. Since April 17, 2010, the lowest interest rate the Group may set on personal housing loans for a second residential property is 110.0% of the PBoC benchmark rate. Please see "Regulation and Supervision – Pricing of Products and Services".

When determining the Group's pricing, the Group takes various factors into account, including the borrower's financial condition and credit rating, the nature and value of collateral, the term of the loan, the intended use of the loan and prevailing market conditions. The Group also considers cost of capital, cost of tax, management cost, and expected rates of return.

Deposits

Since October 24, 2015, the cap on interest rates on RMB-denominated deposits for financial institutions including commercial banks was removed by the PBoC. The Group may offer its key corporate customers negotiated interest rates for their deposits based on the PBoC prescribed rates when the Group deems appropriate. The PBoC has liberalized interest rates on interbank placings, and the Group determines such rates based primarily on the Group's assets and liabilities management policies and the market interest rate. The Group's Assets and Liabilities Management Committee is responsible for the review and monitoring of the Group's deposit pricing policies. Please see "Supervision and Regulation – Pricing of Products and Services" for details.

Fee- and Commission-based Products and Services

With respect to fee- and commission-based products and services, the Group charges the Group's services pursuant to government guidance prices or market conditions. Products and services involving the implementation of government guidance prices include basic RMB settlement business specified by the CBRC and NDRC. The Group adjusts the prices of fee- and commission-based products and services based on factors such as the market and costs, which include constantly changing market conditions, costs of providing the products and services, and prices for similar products and services offered by the Group's competitors. Please see "Supervision and Regulation – Pricing of Products and Services".

MARKETING

The Group has adopted a customer-oriented approach to manage the Group's marketing and has established a professional and efficient marketing team. The Bank's head office takes charge of formulating the Bank's overall business plans and strategies, carrying out bank-wide marketing initiatives and guidelines, and supervising the implementation of such plans and strategies in the Bank's branches and sub-branches. Branches and sub-branches generally conduct marketing activities in their respective regions and collect valuable feedback from customers for reference in future plan formulation. In order to provide high-quality customer service, the Bank highly emphasizes teamwork and cross-department coordination in its marketing activities.

For the Group's corporate banking business, the Group strives to establish and maintain long-term and comprehensive strategic cooperative relationships with core corporate and institutional customers. To improve the efficiency of marketing efforts in targeting strategic customers, the Group has taken a variety of measures, including setting up specialized departments and adopting innovative marketing measures.

Capitalizing on the Group's well-established relationship with local governments and to further tap into dynamic economic activities across Jiangxi Province, the Group focuses on identifying and capturing business opportunities arising from cooperation with local governments. As of December 31, 2017, the Bank entered into strategic cooperation agreements with two city governments, four districts and 12 governments of county administrated directly by provincial government. Through such arrangement, the Group is able to fully participate in (especially in the form of providing professional financial advice and carrying out comprehensive financial services) local government-led financial projects, including infrastructure construction, industrial restructuring and upgrading, implementation of agriculture modernization, reform and innovation of rural financial service, as well as development of small and micro enterprises. The Group believes that such strategic cooperation gains the Group more exposure to a broader base of customer group and more diversified business opportunities arising from the local economy.

By utilizing the Group's stable and well-founded relationship with fiscal and local government agencies, the Group has built up strategic cooperation with them, through which the Group has approached a large number of enterprises with strong market positions or prospective growth potential, their subsidiaries and their upstream and/or downstream related parties.

In managing the Group's retail banking business, the Group established a multi-layered customer service system comprising branches, community service outlets and online channels, and promoted the cooperation of professional team and cross-departmental collaboration. In addition, the Group has been constantly equipping itself with the ability to collect and analyze credit records of individual clients, their consumption behavior patterns, as well as market trends, based on which the Group could design or fine-tune various banking products and services that meet their specific investment needs or provide more convenient services in their daily lives and public transportation which in turn could improve customer loyalty and the Group's profitability.

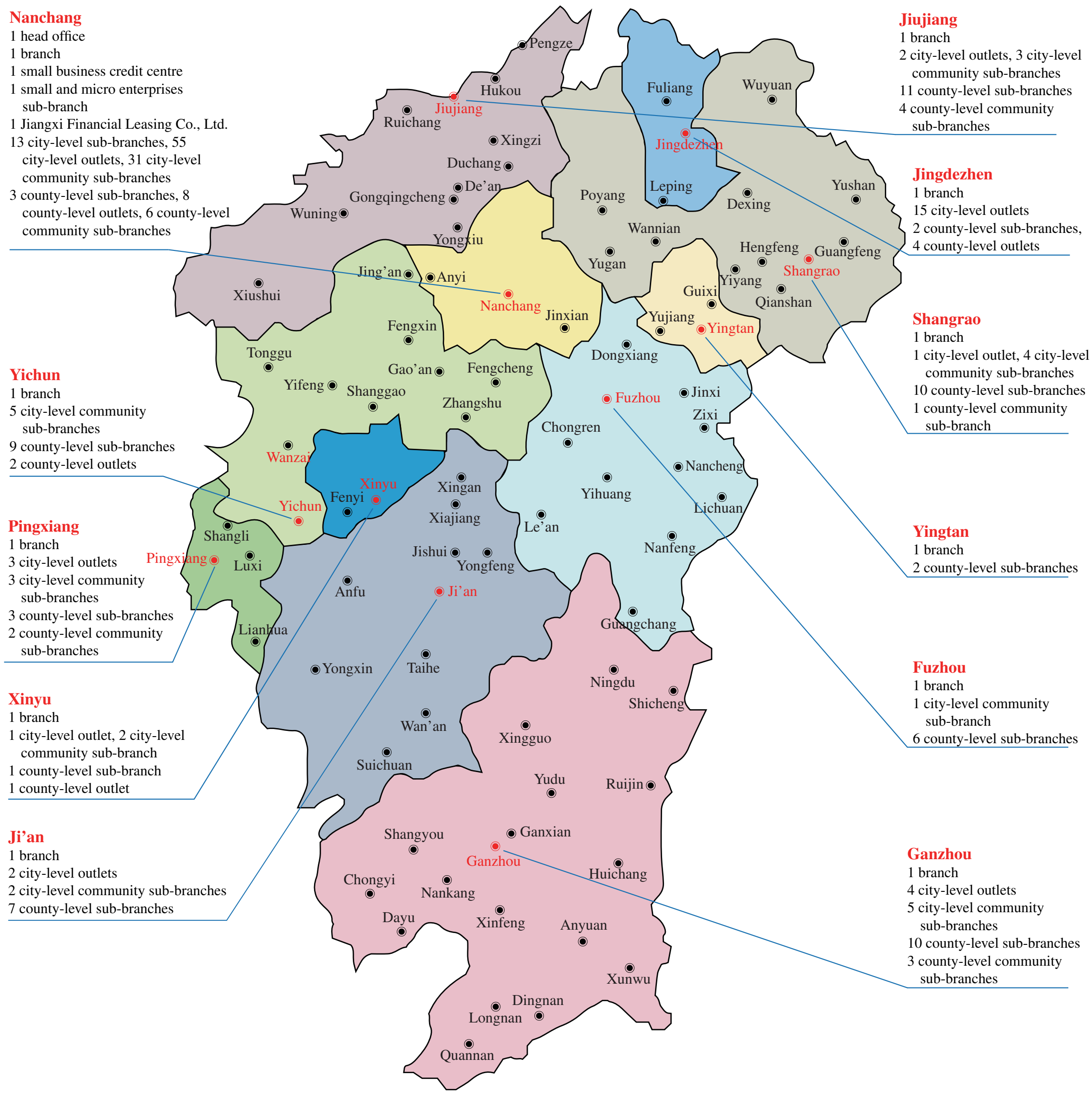
DISTRIBUTION NETWORK

The Group provides banking products and services through its extensive distribution channels, consisting of a branch network and electronic banking channels.

Branch and Sub-branch Network

The Group had further expanded its branch and sub-branch network so as to penetrate new markets through providing quality services. As of December 31, 2017, the Group had one head office, 13 branches (including in Guangzhou and Suzhou), one Small Business Credit Centre, 262 sub-branches (including 167 city-level sub-branches and 95 county-level sub-branches) and a subsidiary namely Jiangxi Financial Leasing, a total of 278 outlets, which covered 11 districted cities in Jiangxi Province and 63 counties, representing approximately 87.0% of all counties across Jiangxi Province.

The following map indicates the distribution of the Group's outlets in Jiangxi Province as of December 31, 2017.



The following table sets forth the number of the Group's outlets as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Number	% of total	Number	% of total	Number	% of total
Jiangxi Province						
Nanchang	105	46.67%	117	45.70%	121	43.53%
Pingxiang	10	4.44%	12	4.69%	12	4.32%
Jiujiang	16	7.11%	20	7.81%	21	7.55%
Ganzhou	19	8.44%	20	7.81%	23	8.27%
Yichun	14	6.22%	16	6.25%	17	6.12%
Xinyu	6	2.67%	6	2.34%	6	2.16%
Shangrao	11	4.89%	14	5.47%	17	6.12%
Ji'an	6	2.67%	10	3.91%	12	4.32%
Fuzhou	1	0.44%	3	1.17%	8	2.88%
Yingtan	1	0.44%	1	0.39%	3	1.08%
Jingdezhen	23	10.22%	22	8.59%	22	7.91%
Subtotal	212	94.23%	240	94.1%	262	94.30%
Outside Jiangxi Province						
Guangzhou	10	4.44%	11	4.30%	11	3.96%
Suzhou	3	1.33%	4	1.56%	5	1.80%
Subtotal	13	5.77%	15	5.86%	16	5.76%
Total	**225**	**100.00%**	**256**	**100.00%**	**278**	**100.00%**

The Group believes that its branch network plays an important role in developing the Group's brand and providing quality services to the Group's customers. The Group has continuously set up new branches and sub-branches to cover new areas and relocated the existing market outlets, so that the Group could optimize its distribution network coverage, streamline business structure and expand its customer base by improving the Group's penetration in existing regions while expanding its reach in new areas. In 2016, the Bank set up 31 new sub-branches and relocated six sub-branches. In 2017, the Bank set up 22 sub-branches and relocated one sub-branch. In order to develop the Group's business with a well-structured channel system, such distribution network optimization will continue.

Electronic Banking

In 2008, the Group started to provide electronic banking services. Currently, the Group's electronic channels provide comprehensive financial services through online banking, mobile banking, telephone banking, self-service banking and WeChat banking. The Group places strong emphasis on building up electronic channels to improve the Group's capabilities to provide services to its customers in an efficient and safe way. In recent years, to further enhance the Group's capacity to deliver electronic banking services and to leverage the advantage of enterprises with strong internet business, the Group has established cooperative relationships with internet companies and China UnionPay to further increase the Group's brand awareness and thus enable the Group to closely connect with potential customers.

As of December 31, 2015, 2016 and 2017, the Group had a total of approximately 332.9 thousand, 599.0 thousand and 849.6 thousand online banking customers, respectively, and had approximately 169.4 thousand, 336.6 thousand and 508.8 thousand mobile banking customers as of the same dates, respectively. As of March 31, 2018, the Group had a total of approximately 921.1 thousand online banking customers and approximately 568.9 thousand mobile banking customers.

The number of corporate customer transactions and retail banking customer transactions processed through the Group's electronic banking increased from 17.9 million and 38.5 million in 2015, respectively, to 37.4 million and 64.1 million in 2016, respectively, and further grew by 92.5% and 65.2% to 72.0 million and 105.9 million, respectively, in 2017. For the three months ended March 31, 2018, the number of corporate customer transactions and retail banking customer transactions processed through the Group's electronic banking was 21.4 million and 37.7 million, respectively.

Online Banking

The Group's online banking platform, accessible via the Bank's website (http://www.jx-bank.com), offers a broad range of financial products and services to both corporate banking and retail banking customers. For corporate customers, the Group provides various services, including account inquiry and management, transaction statement inquiries, intra and other bank transfer, and money transfer and remittance. As for the Group's retail banking customers, the Group offers account inquiry and management, transaction statement inquiries, intra and other bank transfer and fee payment. As of December 31, 2015, 2016 and 2017, the Group had a total number of approximately 332.9 thousand, 599.0 thousand and 849.6 thousand online banking customers, respectively, including approximately 23.0 thousand, 27.2 thousand and 33.7 thousand corporate customers as of the same dates, respectively, and approximately 309.9 thousand, 571.7 thousand and 815.9 thousand retail banking customers as of the same dates, respectively. As of March 31, 2018, the Group had a total number of approximately 921.1 thousand online banking customers, including approximately 35.3 thousand corporate customers and 885.7 thousand retail banking customers. For the years ended December 31, 2015, 2016 and 2017, an aggregate number of 40.7 million, 67.8 million and 118.8 million transactions were processed through the Group's online banking platform, respectively. For the year ended December 31, 2017, the Group's online banking platform has an aggregate transaction volume of RMB1,136.6 billion. For the three months ended March 31, 2018, an aggregated number of 37.8 million transactions were processed through the Group's online banking platform, with an aggregate transaction volume of RMB351.8 billion.

Mobile Banking

The Group commenced its mobile banking services in July 2014. Through the Group's mobile banking application, the Group provides a wide range of services, including account inquiries and management, money transfer, purchase of personal wealth management products, application of personal loans, and payment services for utilities, such as gas, telephone bills and cable TV fees. In recent years, in response to market demand for conducting secure online transactions through utilizing traditional cellphone telecommunication services, the Group provides its customers with a short message services (SMS) notification service, whereby the Group sends them SMS notifications relating to bank account transactions, account safety verification, loan payment reminder, payment of fees and risk alerts.

In addition to the above, the Group also launched "Jin e Rong (金e融)"platform since October 2015. This online financial platform offers investment and financing and fund custody services for its registered users. As of December 31, 2017, the Group had a total number of 10.5 million registered users "Jin e Rong (金e融)". For the year ended December 31, 2017, the platform had processed an aggregate transaction volume of RMB34.9 billion, with deposit balance of RMB4.1 billion as of 2017. The "Jin e Rong (金e融)" has been awarded awards in recognition of its distinctive services provided to its retail banking customers. In 2016 and 2017, the Group has been awarded "Best Innovative Internet Financial Award among Regional Banks" ("年度區域性商業銀行最佳互聯網金融業務創新獎") and "2015 Internet Finance Business Innovation Award of Regional Commercial Banks" ("2015年區域性商業銀行互聯網金融業務創新獎"), the "2016 Financial Industry Social Marketing Best Communication Award" (2016年金融業社會化營銷大賽最佳傳播

奬) by China Financial Certification Authority ("**CFCA**"), "Most Innovative Financial Business Award" in 2016 (最佳金融創新獎) by *The Banker*, a Chinese magazine. In addition, the Group won the "Best Bank Deposit Experience Award" ("最佳銀行存管體驗獎") at the Technology Financial Industry Summit of "Online Finance and the Future Development" ("聯暢未來") in 2017 voted by a number of network loan platforms and tens of thousands of investors. The Group also won the "Extremely Attractive Brand (極具吸引力)" honor in the selection of the "Golden Chestnut Award" ("金栗子獎") initiated by the China Financial Certification Authority.

As of December 31, 2015, 2016 and 2017, the Group's mobile banking users amounted to approximately 169.4 thousand, 336.6 thousand and 508.8 thousand, respectively. For the years ended December 31, 2015, 2016 and 2017, approximately 13.8 million, 31.8 million and 57.3 million transactions were processed through the Group's mobile banking, respectively. For the year ended December 31, 2017, the transaction volume of the Group's mobile banking was RMB107.8 billion. As of March 31, 2018, the Group's mobile banking users amounted to approximately 568.9 thousand. For the three months ended March 31, 2018, approximately 20.9 million transactions with a total transaction volume of RMB34.8 billion were processed through the Group's mobile banking.

Telephone Banking

The Group introduced its telephone banking services in 2007. The Group offers telephone banking services to both retail and corporate customers, including both automated voice services and teller-operated services through the Group's 24-hour nationwide customer service hotline. The Group's services include account inquiry and management, emergency reporting for lost or stolen cards, money transfer and customer complaints. As of December 31, 2015, 2016 and 2017, the Group had a total of approximately 2.0 million, 2.5 million and 3.0 million telephone banking customers, respectively, including 2.0 million, 2.4 million and 2.9 million retail banking customers, respectively, and 39.3 thousand, 47.3 thousand and 58.8 thousand corporate customers as of the same dates, respectively. As of the same dates, the Group had a total number of 24, 29 and 46 customer service staff, respectively. As of March 31, 2018, the Group had a total of approximately 3.1 million telephone banking customers, including 3.0 million retail banking customers and 61.0 thousand corporate customers, and also had a total number of 46 customer service staff.

Self-service Banking

The Group's self-service banking facilities include ATMs, cash recycling machines, inquiry and payment machines, VTMs and cards issuance machines. These facilities can provide customers with convenient banking services and at the same time allow the Group to reduce operating costs. The Group's self-service banking facilities are placed in regions where the Bank's outlets are located, and services provided through these facilities include balance inquiry, cash deposit and withdrawal, fund transfer, payment of public utilities bills, purchase of wealth management products and other services. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the Group had a total of 687, 839, 1,004 and 1,007 self-service banking facilities, respectively.

In addition, the Group actively upgrades and uses innovative applied technology on its self-service banking facilities in order to provide better services and experiences to its customers. For instance, the Group has rolled out facial recognition systems on its ATMs and "Smart Counters (智能櫃檯)". "Smart Counters (智能櫃檯)" offers similar functions to the traditional bank's counters except that it operates solely on a touchscreen system instead of engaging bank cashiers. As of December 31, 2017 the Group had 85 ATMs that have installed facial recognition systems. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the Group had 156, 201, 224 and 234 "Smart Counters (智能櫃檯)", respectively.

WeChat Banking

The Group introduced WeChat public platform on mobile phones to its retail banking customers to further diversify the Group's financial services channels. By following the Group's WeChat official account and signing up for its WeChat banking services, the Group's customers are able to receive new products and/or services introductions, promotions, nearby outlets locating, account inquiry, purchase of wealth management products, fee payment, and other related banking services. WeChat has also become one of the Group's significant channels in delivering value-added services for its retail banking customers. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the Group had nearly 236.8 thousand, 398.6 thousand, 630.2 thousand and 656.1 thousand WeChat official account subscriptions, respectively.

INFORMATION TECHNOLOGY

Overview

The Group believes that information technology capacity is of vital importance for the Group to establish and maintain its competitive advantages and future growth in the increasingly competitive banking industry.

The Group has been establishing an advanced information technology system pursuant to the Group's development strategy. As of the Latest Practicable Date, the Group had established a fully integrated information technology system covering key functions of the entire Group, including product distribution and service access, customer service, product service and daily management and operations. The Group invests in utilizing advanced technologies to ensure flexibility, expandability and security of the Group's information technology system. In particular, the Group has made break-through achievements in terms of client services improvement and enhancement of transaction securities. For instance, the Group has established a "Smart Counters (智能櫃檯)" service model in its branch offices where, by installing advanced facilities and technologies, the Group enabled its clients to easily access a broad range of financial products and services through interacting with touch-screen systems. As a result, the Group managed to substantially improve efficiency of services and released its employees from routine tasks to focus on offering value-adding services. Furthermore, the Group utilized biometrics authentication technologies (including fingerprint technology and face recognition technology) to improve client experience, business operation efficiency and the Group's risk management capacity. Currently, customers of the Group could enjoy the convenience of services as a result of face recognition technology when they access different products or services, such as cash withdrawn at ATMs and CRSs or making application of personal consumption loans through mobile Apps.

Moreover, the financial technology the Group implanted in other products and services has transformed traditional payment methods and helped the Group achieve cashless models for retail customers. Furthermore, the Group has based its marketing platform on the emerging mobile banking and WeChat banking, where app users and subscribers can easily access the Group's latest updates of product innovations and banking services. For details, please see "– Distribution Network" and "– Marketing".

For the years ended December 31, 2015, 2016 and 2017, the Group's capital expenditures on information technology and related equipment were approximately RMB133.9 million, RMB116.2 million and RMB137.9 million, respectively.

Information Technology Management and Team

The Group has established its information technology system with reference to industry best-practices and strict regulatory requirements. Currently, the Group has established 20 functional units supervised by the Information Technology Department at the Group's head office, namely, application development center, quality testing center, operation management center, information security center, center for management of demands and project and comprehensive management center, which, working together, cover all key aspects of information technology functions of the Group.

In addition, the Group has established comprehensive implementation rules, procedures and regulations in relation to information technology management, covering structure establishment and management of demands, quality testing, emergency situations and risks. Furthermore, the Group has established relevant supporting tools and platforms to ensure that the Bank could manage its information technology-related work in a standardized and efficient way.

Information Technology System

The Group has incorporated information technology risk into the overall risk management framework of the Group for management and control. The Group maintains security of its information system which covers cyber security, application security, data security and terminal security through various technologies including encryption, anti-virus software, firewall and malicious code protection. The Group will continuously upgrade such technologies to enhance its information security management. Furthermore, the Group conducted regular information security training for its employees to enhance their awareness on information security and improve the implementation of the Group's information technology risk management.

The Group attaches great importance in the adoption of various advanced technical means to ensure the security of information technology systems and business operations in response to various risks in respect of bank operations arising from the advancement of network technology. To enhance the reliability of the Group's operations, the Bank has established a same-city backup center for disaster recovery which is located outside the Bank's head office premises, as well as an offsite backup center for disaster recovery to support business continuity in the event of major disruption or failure of the Bank's main data center. The Bank has completed the "two locations, three centers" disaster recovery system. For details regarding the information technology risk management, please see "Risk Management – Information Technology Risk Management".

COMPETITION

The banking industry in China has become increasingly competitive. The Group primarily competes with nationwide joint-stock commercial banks and city commercial banks in Jiangxi Province. Please see "Industry Overview – Competitive Landscape". The Group also faces competition from other banking institutions, including rural credit cooperatives, as well as non-banking financial institutions, such as securities firms, fund management companies and insurance companies. The principal competitive factors in the banking industry include capital strength, risk management, asset quality, reach of distribution network and customer base, brand recognition and scope, as well as quality and pricing of products and services.

Competition between the Group and foreign financial institutions may be intensified in the future. In particular, the lifting of various restrictions on foreign financial institutions conducting business in the PRC may cause the Group to lose certain existing competitive advantages over foreign financial institutions in the banking market of Jiangxi Province and Central China. The Group expects to see greater competition from foreign financial institutions in the future. The intensifying competition may have adverse effects on the Group's future business and results of operations. Please see "Risk Factors – Risks Relating to the PRC Banking Industry – The Group faces increasingly intensive competition in China's banking industry".

In addition, the Group faces competition from non-banks that have commenced offering internet finance services, such as payment, wealth management, consumer finance, or even checking and savings, including technology giants, large-scale retailers, entities offering peer-to-peer financing products and online or mobile commercial platforms offering settlement services. Many technology giants and large-scale retailers even managed to establish their own banking institutions upon obtaining approval, imposing a more direct and full-fledged competition against existing traditional banks. Please also see the section headed "Industry Overview – Industry Trends and Business Drives – Challenges, Competition and Opportunities Arising from Electronic Banking and Internet Finance" and "Risk Factors – The competition layout in the banking industry keeps evolving in line with advancement of information technology where the traditional banking institutions faces intensified challenges in terms of electronic banking and internet finance services."

To better cope with these challenges, the Bank has taken proactive approach to (i) continuously improve its capability of providing electronic banking services and ensure stable, convenient, efficient and secure access of its banking services at different internet terminals or mobile handsets around the clock; and (ii) further innovate financial products and services to chip in different transaction scenarios that customers encounter in their daily life and improve frequency and willingness of customers to choose the Bank's services. In particular, the Bank has launched different products accordingly, including "Shouji Miao Dai (手機秒貸)", "Jin e Rong (金e融)" mobile APP, Ola Pay mobile payment series of products and services, "Yin Yi Tong (銀醫通)" product and "Caifu Transportation Card (財富交通卡)". These products and services manifested the Bank's vision of moving further into the commercial lives of its customers to play a greater role not just at the moment of financial transactions but before and afterwards as well. For details on expansion and achievement of the Bank's mobile banking services and technology development, please also see the section "– Distribution Network – Electronic Banking". In addition, the Bank considers efficient risk management capacity a crucial component to ensure its success in competition, particularly during the era of internet finance. The Bank has been continuously investing in enhancing its integrated database and data analytical capacities to keep improving efficiency and effectiveness of its credit risk analysis and post-disbursement management. Furthermore, the Bank took proactive approach in cooperating with banks or non-bank entities with strong technology background or relevant experience in offering internet finance products and services to efficiently enhance its technology capacity and access to potential customers. For instance, in 2016, the Group cooperated with the WeBank in participating in and carrying out "Weili Dai (微粒貸)" products, where retail banking customers could efficiently apply for personal consumption loans up to RMB0.3 million. Going forward, the Group plans to stick to its business development strategy of transforming into a "profit-from-customers (由客獲利)" business model to enhance its competitiveness.

EMPLOYEES

As of December 31, 2017, the Group had 4,648 employees all of whom were all located in China, which comprised 640 employees at the Bank's head office, 3,945 employees at the Bank's branches and sub-branches and 63 employees at Jiangxi Financial Leasing. The following table sets forth the number of full-time employees by function as of December 31, 2017.

	As of December 31, 2017	
	Number of employees	**% of total**
Corporate banking	557	12.0%
Retail banking	741	15.9%
Financial markets	61	1.3%
Finance and accounting	257	5.5%
Risk management, internal audit and legal and compliance	366	7.9%
Information technology	107	2.3%
Management	716	15.4%
Teller	1,127	24.2%
Others	716	15.4%
Total	**4,648**	**100.0%**

The following table sets forth the total number of the Group's employees by age as of December 31, 2017.

	As of December 31, 2017	
	Number of employees	**% of total**
Aged 30 or below	2,619	56.3%
Aged 31-40	948	20.4%
Aged 41-50	987	21.2%
Aged over 50	94	2.0%
Total	**4,648**	**100.0%**

The following table sets forth the total number of the Group's employees by education level as of December 31, 2017.

	As of December 31, 2017	
	Number of employees	**% of total**
Master degree and above	590	12.7%
Bachelor degree	3,382	72.8%
College/Associate Degree	576	12.4%
Others	100	2.2%
Total	**4,648**	**100.0%**

Believing that the Group's sustainable growth depends largely on the capability and dedication of the Bank's employees, the Bank has been investing significant resources in training its employees. The Group offers a variety of training programs tailored to its employees at different levels and stages in line with the Group's business development strategy. For instance, the Bank designed Overseas Research Proposal and "Brainstorm" Lecture Series for the Bank's senior management teams offering training courses themed in global and domestic macro-economy and management skills training, so that they could apply cutting-edge management skills with practical value to the Bank's internal daily management. In addition, the Group's comprehensive training system comprises Management Capacity Enhancement Program designed for management teams and presidents at all of the Bank's sub-branches, offering training courses themed in internal management and team building; comprehensive and systematic Pre-job Training Program designed for newly recruited management trainees and fresh graduates, offering both theoretical and practical training courses themed in banking and accounting knowledge to help prepare them for daily work in the Bank; as well as personnel training programs and quality and skills improvement programs designed to focus on cultivating promising employees in the Group for future development.

The Group contributes to its employees' social insurance and other employee benefits, such as pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance and housing fund in accordance with the applicable PRC laws, rules and regulations. The Bank's labor union represents the interests of the employees and works closely with the Group's management on labor-related issues.

During the Track Record Period and as of the Latest Practicable Date, the Bank had not experienced any strikes or other material labor disputes that have affected the Group's operations and the Bank believes that the relationship between the Bank's management and the labor union has been satisfactory.

The Group has also engaged more than 700 independent contracted workers through third-party human resources agencies as of December 31, 2017. These independent contracted workers are not the Group's employees and generally hold non-key positions at the Group. According to the PRC Labor Contract Law, there is no labor contract relationship between the independent contracted workers and the Group, and the independent contracted workers enter into labor contracts with the relevant human resources agencies. The Group is not obligated to make social security contributions for them, but the Group makes agreed salary and other related payments to these agencies, who shall in turn, make salary payments to the independent contracted workers, social security contributions and other related payments to the government entities. According to PRC laws, if the third-party human resources agencies fail to pay remuneration to the independent contracted workers, the Group may also be held jointly liable for claims brought by the independent contracted workers.

PROPERTIES

The Bank's head office is located in Nanchang, PRC. As of the Latest Practicable Date, the Bank owned 260 properties (with an aggregate GFA of approximately 177,850.8 square meters) and land use rights for two parcels of undeveloped land (with an aggregate area of approximately 22,672.0 square meters) in the PRC. In addition, the Group has signed purchase agreements to acquire 95 properties (with an aggregate GFA of approximately 16,600.8 square meters) and yet to complete the same as of Latest Practicable Date. The Group also leased 296 properties in the PRC with an aggregate GFA of approximately 167,457.2 square meters. As of the Latest Practicable Date, Jiangxi Financial Leasing does not own any property.

Owned Properties

Properties

As of the Latest Practicable Date, the Group owned 260 properties with an aggregate GFA of approximately 177,850.8 square meters, which were primarily used for the Group's business and offices, among which:

1. For 226 properties with an aggregate GFA of approximately 149,351.0 square meters (accounting for approximately 84.0% of the aggregate GFA of the Group's owned properties), the Group had obtained the relevant building ownership certificates and the state-owned land use right certificates for these properties through grant.

   As advised by the Bank's PRC legal advisor, the Group has legitimate ownership rights and the land use rights of such properties and the Group is entitled to occupy, use, transfer, mortgage or dispose of by other means of such properties in accordance with the applicable laws.

2. For three properties with an aggregate GFA of approximately 10,595.0 square meters (accounting for approximately 6.0% of the aggregate GFA of the Group's owned properties), the Group has obtained the relevant building ownership certificates and the state-owned land use right certificates through allocation.

   As of the Latest Practicable Date, the Group had obtained confirmation from the relevant land resources authorities, confirming that the Group have the right to occupy and use such properties. As advised by the Bank's PRC legal advisor, (i) pursuant to the Law of the People's Republic of China on Urban Real Estate Administration (《中華人民共和國城市房地產管理法》), as the Group has obtained the building ownership certificates for these properties, there are no legal impediment for the Group to occupy or use such properties; (ii) the Group will need to obtain the land use right certificates for lands occupied by such properties through transferring and leasing before the Group is allowed to transfer, lease or mortgage such properties in accordance with the Law of the People's Republic of China on Urban Real Estate Administration, the Implementation Rules of the Law of the People's Republic of China on Land Administration (《中華人民共和國土地管理法實施條例》); and (iii) if such properties can no longer be used, the Group believes that it will be able to find comparable properties as alternatives in corresponding areas, and such relocation will not have a material adverse effect on its financial condition or results of operations.

3. For 25 properties with an aggregate GFA of approximately 3,576.3 square meters (accounting for approximately 2.0% of the aggregate GFA of the Group's owned properties), the Group has completed the registration of building use right and obtained the building ownership certificates, but has yet to complete the registration of land use right for the land on which such buildings are erected.

   The Group had obtained confirmations in writing issued by the Real Estate Registration Centre for its 24 properties which are located in Jingdezhen, which confirmed that the Group has the rights to own or use the aforementioned properties and the land occupied by these properties pursuant to the real estate title deed. As advised by the Bank's PRC legal advisor, for the above 25 properties, (i) as the Group has obtained the relevant building ownership certificates from the relevant authorities, there are no material legal impediment for the Group to occupy or use such properties; (ii) before completing the registration for the land use rights of the land on which such buildings are erected, the Group may be prohibited from transferring, mortgaging or otherwise dispose of such properties; (iii) in the event that the land on which such buildings are erected is auctioned or disposed of due to reasons of the land use right, the buildings owned by the Group will be auctioned or disposed of in conjunction with such lands. In such case, the Group may lose the ownership of such buildings, but the Group will be entitled to the proceeds from such auctions or disposal of such buildings; and (iv) if the Group has to relocate due to the land use right issue, the Group believes it will be able to find comparable properties as alternatives in corresponding areas, and such relocation will not have a material adverse effect on the Group's financial condition or results of operations.

4. For two properties with an aggregate GFA of approximately 12,142.6 square meters (accounting for approximately 6.8% of the aggregate GFA of the Group's owned properties), the Group has completed the registration of state-owned land use right and obtained the relevant registration. For these two properties, the Group has been granted the construction land use planning permit, construction planning permit, construction works commencement permit, and completion inspection and acceptance filing form of construction works, and is in the process of registering and obtaining their building ownership certificates. The Bank's PRC legal advisor is of the view that there is no legal impediment for the Group to obtain the building ownership certificates or registering building ownership of the above properties in accordance with the relevant PRC laws and regulations, including the Law of the People's Republic of China on Urban Real Estate Administration (《中華人民共和國城市房地產管理法》) and other laws and regulations.

5. For one property with a GFA of approximately 489.6 square meters (accounting for approximately 0.3% of the aggregate GFA of the Group's owned properties which has never been used as a office premises by the Group after the Acquisition), the Group has obtained the relevant building ownership certificate and the relevant building ownership certificate was in the name of Jingdezhen Urban Credit Union (景德鎮市城市信用社) (which was acquired by the Bank as part of the Acquisition). As of the Latest Practicable Date, the Bank is yet to transfer the building ownership certificate into the Bank's name and apply for the real estate title deed as the property is subject to demolition as part of the local government's plan.

   The Bank's PRC legal advisor is of the view that as the owner of the property, the Group is entitled to occupy and use the property and there is no material legal impediment for the Group to transfer the building ownership certificate into the Bank's name. In addition, given that the Group obtained the building ownership certificate, the lack of land use right certificate of the land will not have a material adverse effect on the Group's financial condition or results of operations.

6. For two properties with an aggregate GFA of approximately 1,534.5 square meters (accounting for approximately 0.9% of the aggregate GFA of the Group's owned properties), the Group had completed the purchase of these two properties from real estate developer and registered the purchase agreement with the relevant government authority. As the real estate developer is currently involved in a legal proceeding with construction company as of the Latest Practicable Date (the "**Legal Proceeding Case**"), the Group has yet to obtained the relevant building ownership certificates or land use right certificates for such properties.

As advised by the Bank's PRC legal advisor, the purchase agreements entered into between the Group and the real estate developer are legally binding and the real estate developer has agreed to reimburse the Group's losses should the Group unable to obtain the relevant certificates within 180 days after the Legal Proceeding Case has ended. In addition, the relevant housing and land authorities department has issued confirmation to the Group confirming that the lack of relevant certificates did not constitute material non-compliance with the relevant PRC laws and regulations cause material restrictions in relevant rights of the Bank. As advised by the Bank's PRC legal advisor, the relevant housing and land authorities department is the competent authority to issue the relevant confirmation and therefore, based on the confirmations from the housing and land authorities department and the indemnity provided by the real estate developer, the Bank's PRC legal advisor is of the view that the lack of relevant certificates will not cause material adverse effect on the Group's financial conditions or results of operations. The Group is unable to transfer or mortgage or dispose by other means before obtaining the relevant certificates.

7. For one property with a GFA of approximately 161.8 square meters (accounting for approximately 0.1% of the aggregate GFA of the Group's owned properties), the Group has yet to obtain the relevant building ownership certificate for this property or land use right certificate due to historical reason arised from the non-cooperation from the predecessor owner of the property.

   The Bank's PRC legal advisor is of the view that, pursuant to the PRC Property Law (《中華人民共和國物權法》) and the Housing Registration Measures (《房屋登記辦法》), the Group is required to obtain the relevant building ownership certificate for the property and land use right certificate and to obtain corresponding certificates before it can legally dispose of the property by transferring, mortgaging or by other means. However, the defective registration of relevant certificates of the abovementioned property will not have a material adverse effect on the Group's financial condition or results of operations.

During the Track Record Period and as of the Latest Practicable Date, the defective titles of the above-mentioned properties did not have any material adverse effect on the Group's financial condition or results of operations. The Bank's Directors are of the view that such defective properties will not, individually or in aggregate, have any material adverse effect on the Group's business. If necessary, the Group believes that it will be able to find comparable properties as alternatives replacement, and such relocation will not have any material adverse effect on the Bank's financial condition or results of operations.

Undeveloped Land

As of the Latest Practicable Date, the Group had obtained the relevant land use rights for two parcels of undeveloped land with an aggregate area of approximately 22,672.0 square meters through grant, and has been granted the real estate title deeds. For a parcel of undeveloped land with an aggregate area of approximately 17,347.0 square meters, the Group plans to construct office premises and is yet to commence the construction works. For the remaining parcel of undeveloped land with an aggregate area of approximately 5,325.0 square meters, the Group plans to sell this undeveloped land in the near future. In accordance with the provisions of Disposal Measures on Idle Land (《閒置土地處置辦法》), these two parcels of undeveloped lands are considered to be idle lands.

The Bank's PRC legal advisor is of the view that, the land use rights for such two parcels of undeveloped lands have been registered and the Group has obtained the relevant building ownership certificates, and is therefore legally entitled to occupy and use such lands. In addition, the Group also has obtained confirmations issued by the competent land administrative departments confirming that the Group can continue to occupy and use such lands and it will not materially and adversely affect the Group's financial condition and results of operations.

Leased Properties

As of the Latest Practicable Date, the Group had leased 296 properties with an aggregate GFA of approximately 167,457.2 square meters, which were primarily used for its business and office, among which:

1. For the 169 properties with an aggregate GFA of approximately 87,319.0 square meters (accounting for approximately 52.1% of the aggregate GFA of the Group's leased properties), the lessors have provided the relevant building ownership certificates for these leased properties. In addition to the above, 27 of the properties with an aggregate GFA of approximately 12,649.1 square meters (accounting approximately 7.6% of the aggregate GFA of the Group's leased properties), the lessors are not the owners of the properties, but have provided the relevant building ownership certificates and letters of consent from the owners of the leased properties to authorize the lessors to lease or sublease the properties to lessors.

   The Bank's PRC legal advisor is of the view that such lease agreements are legal and valid, and are legally binding on the Group and the relevant lessors.

2. For 63 properties with an aggregate GFA of approximately 31,993.8 square meters (accounting approximately 19.1% of the aggregate GFA of the Group's lease properties), the lessors are the owners of the properties, but have not provided the relevant building ownership certificates for such properties. In addition to the above, seven properties with an aggregate GFA of approximately 2,494.0 square meters (accounting approximately 1.5% of the aggregate GFA of the Group's lease properties), the lessors are not the owners of the properties and have not provided the relevant building ownership certificates, but have provided consent letters issued by the owners of the leased properties to authorize the lessors to sublease the properties.

   The above mentioned 70 properties have an aggregate GFA of approximately 34,487.8 square meters (accounting approximately 20.6% of the aggregate GFA of the Group's lease properties), among which 33 properties with an aggregate GFA of approximately 16,805.4 square meters (accounting approximately 10.0% of the aggregate GFA of the Group's lease properties), the relevant lessors have provided written statements and/or undertakings confirming that they are entitled to lease such properties, and they shall indemnify the Group if the Group suffers any losses from the defective titles of such properties. As advised by the Bank's PRC legal advisor, if the owners of the above-mentioned properties do not provide the building ownership certificates of such properties and their ownership titles to such properties are defective, the Group's rights to use the leased properties may be affected if third party make a claim against the ownership of such properties. However, in some instances, the Group is able to seek indemnification from the lessors based on their written statements and/or undertakings. In the unfortunate event if the Group is unable to continue to use such properties, the Group believes that it will be able to find comparable properties as alternatives in the corresponding areas, and such relocation will not have a material adverse effect on the Group's financial condition or business operations.

3. For the 9 properties with an aggregate GFA of approximately 10,606.4 square meters (accounting approximately 6.3% of the aggregate GFA of the Group's lease properties), the lessors are not the owners of the properties and have not provided consent letter issued by the owners to authorize the lessors to sublease the properties, but have provided the relevant building ownership certificates for such properties. Among the above-mentioned 9 properties, two properties with an aggregate GFA of approximately 3,391.1 square meters (accounting approximately 2.0% of the aggregate GFA of the Group's lease properties), the relevant lessors have issued written statements and/or undertakings confirming that they will indemnify the Group for their losses arising from non-performance of the lease agreements due to legal or arbitration proceedings initiated by the owners of the leased properties for subleases without their consents or other relevant issues.

   The Bank's PRC legal advisor is of the view that, if the validity of the lease are challenged by the owners of the above-mentioned properties, the Group's rights to use the leased properties may be affected. However, in some instances, the Group is able to seek indemnification from the lessors based on their written statements and/or undertakings. In the event if the Group is not able to continue to use such properties due to reasons stated above, the Group believes that it will be able to find comparable properties as alternatives in the corresponding areas, and such relocation will not have a material adverse effect on the Group's financial condition or business operations.

4. For the 21 properties leased by the Group with an aggregate GFA of approximately 22,395.0 square meters (accounting approximately 13.4% of the aggregate GFA of the Group's lease properties), the lessors are not the owners of the properties and have not provided the relevant building ownership certificates as well as consent letter issued by the owners of the leased properties to authorize the sublease of such properties. Among these properties, five properties with an aggregate GFA of approximately 4,199.3 square meters (accounting approximately 2.5% of the aggregate GFA of the Group's lease properties), the relevant lessors have provided the related statements/undertakings confirming that they are entitled to lease such properties and they shall indemnify the Group if the Group suffers any losses from the defective titles of such properties.

   The Bank's PRC legal advisor is of the view that, if the lessors are not the owners of the properties and have not provided the relevant building ownership certificates or consent letter issued by the owners to authorize the sublease of the properties, and if the owners' titles to such properties are defective and a third party raises a claim against the ownership of such property, or if the owners consider the lessors are not entitled to lease such properties, the Group's rights to use the leased properties may be affected. However, in some instances, the Group is able to seek indemnification from the lessors based on their written statements/undertakings. In the event that if it is not able to continue to use such properties due to reason stated above, the Group believes that it will be able to find comparable properties as alternatives in the corresponding areas, and such relocation will not have a material adverse effect on the Group's financial condition and results of operations.

For the 296 properties leased by the Group, 149 properties (with an aggregate GFA of approximately 81,153.9 square meters), the relevant lease agreements have been registered with the relevant housing administrative authorities or the Group has received statement issued by the relevant housing management departments confirming that they do not require to register the lease. For the 147 properties with an aggregate GFA of approximately 86,303.4 square meters, the relevant lease agreements have not been registered with the local government's housing management departments. Among these 296 properties, 84 properties (with an aggregate GFA of approximately 54,682.1 square meters), the lessors are responsible to complete the lease registration and liable for all the relevant costs, according to the relevant leasing agreements or undertaking from the relevant lessors. Therefore, should the Group receive any administrative penalty as a result of lessor's failure to fulfill its obligation, including submission of fees for registration of leasing agreements, the Group can claim damages against relevant lessors or set-off its losses by deducting relevant amount from its rent.

As advised by the Bank's PRC legal advisor, pursuant to relevant judicial interpretation of the Supreme People's Court of the PRC, failure to complete the lease registration will not affect the legal effectiveness of the lease agreements. According to the "Administrative Measures for Commercial Housing Leases" (《商品房屋租賃管理辦法》), the housing administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time and the failure to do so may subject the parties to the lease agreements to fines from RMB1,000 to RMB10,000. As a result, if the Group fails to complete the lease registration in accordance with the requirements of the housing administrative authorities, the Group may be subject to fines. In some instances, the Group can seek indemnification from the lessors or offset the rent directly based on the relevant lease agreements or the statements/undertakings issued by the lessors. In addition, failure to complete the lease registration will not have a material adverse effect on the Group's financial condition or results of operations.

As of Latest Practicable Date, for the 24 properties with an aggregate GFA of approximately 5,947.8 square meters, the relevant lease agreements have expired. Among these 24 properties, four lessors of three properties have issued written undertakings confirming to continue leasing such properties to the Group. For the remaining 21 expired leases, the Group is still negotiating lease renewal with the lessors and have yet to sign any new lease or lease renewal. The Group will arrange the renewal or execution of the above lease agreements as soon as practicable, and the Group believes that it will be able to find comparable properties as alternatives in the relevant areas if relocation is needed.

The Bank's PRC legal advisor is of the view that the expiration of above mentioned leases which the Group is currently arranging renewal will not have a material adverse effect on the Group's business operations and will not constitute material legal impediments to the Listing.

Properties to be Acquired

As of Latest Practicable Date, the Bank has entered into contracts to purchase 95 properties with real estate developers (with an aggregate GFA of 16,600.8 square meters). Among these properties, 58 properties with an aggregate GFA of approximately 10,620.0 square meters have not yet been completed. One of properties is a residential property with a GFA of approximately 3,920.1 square meters. As the real estate developer for this property had requested to recalculate housing price per prevailing market price and failed to deliver the property to the Group by due time as agreed in the property purchase contracts, the Bank intends to terminate the purchase contract with the real estate developer.

The Bank's PRC legal advisor is of the view that, apart from the one property for which the Bank intends to terminate the purchase contract with the real estate developer, there is no material legal impediment for the Bank to obtain the state-owned land use rights and the building ownership of the remaining properties.

Property Valuation

As of December 31, 2017, the Group had no single property with a carrying amount of 15.0% or more of the Group's total assets, and on this basis, the Group is not required by section 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule thereof, which requires a valuation report with respect to all of the Group's interests in land or buildings.

PERMITS, LICENSES AND QUALIFICATIONS

The Bank's Directors, as advised by the Bank's PRC legal advisors, confirm that, as of the Latest Practicable Date, the Group has obtained material approvals, registration or permits from relevant PRC authorities for the Group's operations in China.

INTELLECTUAL PROPERTY RIGHTS

The Bank conducts business under the brand names and logos of "江西銀行", "江西银行 JIANGXI BANK", " " as well as other brand names and logos. The Group's intellectual property rights mainly include trademarks, patents and Internet domain names. As of the Latest Practicable Date, the Group held 19 registered trademarks in the PRC, and 29 Internet domain names. The Bank has also obtained approval for two trademark registrations in Hong Kong. With respect to details of the Group's intellectual property rights, please see "Appendix VII – Statutory and General Information". The Group has not been subject to any material infringement of its intellectual property rights or allegations of infringements by third parties during the Track Record Period that would have a material adverse effect on the Group's business, asset quality, financial condition and results of operations.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

Legal Proceedings

The Group is involved in various claims and lawsuits in the ordinary course of its business from time to time. As of the Latest Practicable Date, the Group was plaintiff or applicants of arbitration in 65 pending litigations and arbitrations, each with a claim amount of principal equal or exceeding RMB30.0 million, and the aggregate amount of the claimed principal in such legal proceedings was approximately RMB3,317.9 million.

As of the Latest Practicable Date, the Group was defendant or arbitration respondent in five litigation or arbitration cases in relation to disputes on debts transfer, construction projects and bill discounting business, each with a claim amount of principal exceeding RMB10.0 million, and the aggregate amount of the claimed principal was approximately RMB1,570.5 million.

The Group is in compliance with loan provision policies and has made adequate provisions for the proceedings after taking into account relevant factors. As of December 31, 2017, the Group's provision for the proceedings amounted to RMB16.6 million. For details of the Group's credit approval procedures and post-disbursement management and inspection towards its loans, please see "Risk Management – Credit Risk Management – Credit Risk Management for Corporate Loans" and "Risk Management – Credit Risk Management – Credit Risk Management for Personal Loans".

As of the Latest Practicable Date, the Group did not expect any of its current and pending legal or arbitration proceedings to have, individually or in the aggregate, a material adverse effect on its business, financial condition and result of operations. Please also see "Risk Factors – the Group may be involved in legal and other disputes from time to time arising out of the Group's operations."

The following are material legal proceedings during the Track Record Period where the Group was defendant and/or third party to the legal proceedings.

Litigation between Bank A and Bank B ("Bank A Case")

In June 2016, Bank A brought a lawsuit against Bank B in relation to a bills financing transaction before the High People's Court in the province where Bank B is located. Bank A claimed that Bank B forcibly took away 86 bank acceptable bills ("**Bank A Case Bills**") from it in 2015, and demanded for damages equal to principals of relevant bills which amounted to RMB921.5 million together with interest incurred since October 10, 2015, the maturity date of relevant bills.

Bank B rejected this allegation and refused to recognize any transaction in relation to Bank A Case Bills. Bank B stated that it actually purchased Bank A Case Bills from then Jingdezhen City Commercial Bank in 2015, which the Bank acquired during the Acquisition, and it has not committed any illegal action in possessing relevant bills.

To ascertain the facts, upon the application of Bank A in August 2016, the Bank was impleaded by the court as a third party without independent right to claim the subject matter.

Bank B received a judgement in favor of it in May 2017. Bank A appealed against such judgement before the Supreme People's Court. As of the Latest Practicable Date, court hearing for this case has not been initiated yet.

As advised by the legal advisor engaged by the Group in the Bank A Case, the Bank is of the view that the Bank is unlikely to be held liable for the Bank A Case because, based on the relevant evidence currently available, (i) the Bank was only impleaded as a third party without independent right to claim the subject matter in the Bank A Case, while the focus of the dispute is whether Bank A (as the plaintiff in the first instance) or Bank B (as the defendant in the first instance) has legal title over the Bank A Case Bills. As a result, the Bank's directors are of the view that it is unlikely for the Bank to be liable for any unfavorable ruling; (ii) the judgement of the court of first instance is supported by fair and objective study and recognition of evidence provided by each party. As a result, the likelihood for the appellate court to overturn the court of first instance's judgement is remote; (iii) there is no bills transaction between Bank A and then Jingdezhen City Commercial Bank in relation to Bank A Case Bills; and (iv) then Jingdezhen City Commercial Bank had properly completed all legally requested obligations and procedures in relation to relevant transactions involving bills subject to the litigation.

Zhong Lun Law Firm, the Bank's PRC legal advisor for the Global Offering who has not participated in the litigation process, is of the view that, (i) the amount in dispute does not exceed 5% of the Bank's total assets based on its latest audited accountants' report, (ii) the court of first instance has rejected the claim from Bank A, and (iii) as advised by the legal advisor engaged by the Group for the litigation, the Bank is of the view that the Bank is unlikely to be held liable for the Bank A Case. Therefore, this lawsuit will not constitute a substantial legal obstacle to the Global Offering based on relevant PRC laws and regulations.

Based on the above mentioned factors, the Bank's Directors are of the view that this litigation will not have any material adverse effect on the Group's business, financial condition, results of operations or prospects.

Litigation raised by Bank B against the Bank ("Bank B Case")

On March 21, 2017, Bank B brought a litigation against the Bank before the High People's Court in the province where Bank B is located, demanding repayment of purchasing price of 138 bank acceptance bills (the "**Bank B Case Bills**") in the amount of RMB1,483.5 million, together with liquidated damages as stipulated in relevant agreements and relevant litigation fees and costs (the aggregated principal, liquidated damage and other claim amount are collectively referred to as "**Aggregated Claim Amount**").

Bank B claimed that, on September 15, 2015, it entered into a bills discounting transaction with then Jingdezhen City Commercial Bank, where then Jingdezhen City Commercial Bank shall deliver Bank B Case Bills to Bank B upon reception of payment from Bank B. However, it was alleged that then Jingdezhen City Commercial Bank failed to deliver relevant bills according to relevant terms. The Bank is of the view that fraudulent transactions were involved in Bank B Case and has made immediate reports to relevant public security bureau. As of the Latest Practicable Date, investigations by the public security bureau were still in the process. On the other hand, dispute over jurisdiction of relevant court had been solved in September 2017, but the court hearing for this case has not been initiated yet as of the Latest Practicable Date.

As advised by the legal advisor engaged by the Group in the Bank B Case, the Bank is of the view that, based on the relevant evidence currently available, the possibility for the Bank to lose the case is relatively low because, based on the substance of the relevant transactions and the evidence available, (i) Bank B and another bank initiated transactions in relation to Bank B Case Bills. Subsequently, multiple other banks, including then Jingdezhen City Commercial Bank, participated in a series of transactions in relation to relevant bills; and (ii) parties involved in this litigation did not have genuine intention to make actual delivery of relevant bills, as a result of which, any adverse consequence caused by such transaction shall be borne by parties initiated such transaction, including Bank B. There is no ground for Bank B to claim right in relation to discounted bills and such allegation shall be rejected by the court.

Zhong Lun Law Firm, the Bank's PRC legal advisor for the Global Offering who has not participated in the litigation process, is of the view that based on the facts that (i) as advised by the litigation attorneys engaged by the Bank, the Bank is of the view that, based on the relevant evidence currently available, the possibility for the Bank to lose the case is relatively low, (ii) the amount in dispute only represents an immaterial percentage of the Bank's total assets based on its latest audited accountants' report, and (iii) the Bank's confirmation that it has not been imposed any penalty by the CBRC Jiangxi Office in relation to this case as of the Latest Practicable Date, this lawsuit will not constitute a substantial legal obstacle to the Global Offering based on relevant PRC laws and regulations.

Based on above mentioned factors, the Bank's Directors are of the view that this litigation will not have any material adverse effect on the Group's business, financial condition, results of operations or prospects.

Regulatory Inspections and Proceedings

The Group is subject to various regulatory requirements and guidelines promulgated by different PRC regulatory authorities, including the PBoC, SAT, CBIRC, SAIC, NDRC, SAFE and their respective local branches and offices. Inspections and examinations are carried out by such regulatory authorities in respect of the Group's compliance with legal and regulatory requirements in relation to the Group's business operations, risk management and internal control. During the Track Record Period, the Group has been subject to certain administrative penalties, mainly in the form of fines, as a result of these inspections and examinations. These penalties, individually or in the aggregate, do not and will not have a material adverse effect on the Group's financial condition or results of operations, nor will they affect the Group holding of approvals, permits, authorizations or filings necessary for business operations.

Save as disclosed under "– Legal and Administrative Proceedings – Regulatory Inspections and Proceedings", "– Legal and Administrative Proceedings – Compliance with Core Indicators", "– Legal and Administrative Proceedings – Anti-Money Laundering" and "– Legal and Administrative Proceedings – Employee Non-compliance", the Group has been in compliance with relevant regulatory requirements and guidelines relating to the Group's business operations, risk management, tax compliance and internal controls in all material respects and there have been no other regulatory inspections or proceedings that may cause material and adverse impact on the Group's business operations or financial results during the Track Record Period and up to the Latest Practicable Date.

These inspections and reviews have not identified any major risk or non-compliance events in the Group but located some deficiencies in the Group's business operations, risk management and internal control, the details of which are set out below. Although these issues have not had any material adverse impact on the Group's business, financial position or results of operations, the Group has taken improvement and remedial measures to prevent the recurrence of similar incidents in the future.

Administrative Penalties

Other than the administrative penalties imposed by PRC tax authorities, during the Track Record Period and as of the Latest Practicable Date, the Group had been subject to various administrative penalties imposed by PRC regulatory authorities, including CBRC, PBoC, SAFE, Market Supervision Administration and the Bureau of City Management and Administrative Law Enforcement, generally in the form of fines. Among these penalties, there are four incidents each with fines over RMB200,000, which were imposed by different sub-branches of the CBRC or the Bureau of City Management and Administrative Law Enforcement, namely (i) penalties against the Bank for its investment in Non-standard Credit Assets in the name of amounts due from banks, insufficient capital provision for such investment, and its violation of prudent operation principle by re-purchasing bank acceptance bills right after its resale of the same bills, which occurred in June 2017, and the fines imposed were RMB500,000; (ii) penalties against a branch for its issuance of certain bank acceptance bills with unauthentic transaction background, which occurred in February 2017, and the fines imposed were RMB250,000; (iii) penalties against the Bank for its failure to develop a project in compliance with its construction planning permit, which occurred in May 2016, with the fines being imposed amounting to RMB295,619.72; and (iv) penalties against Jingdezhen City Commercial Bank for its failure in properly checking the trade background of bank acceptance bills, which occurred in August 2015 prior to the Acquisition, and the fines imposed were RMB400,000. These four penalties have an aggregated fine of RMB1,445,619.72. Apart from these four penalties, during the Track Record Period and as of the Latest Practicable Date, there are several administrative penalties each with fines of less than RMB200,000, causing an aggregated fine of RMB355,000.

In addition, during the Track Record Period and as of the Latest Practicable Date, the Group was subject to three cases of penalties imposed by different PRC tax authorities, causing fines with a total amount of RMB10,331.95, including penalties against three branches for their (i) inaccurate tax declaration, which occurred in December 2015, May 2016 and October 2017; and (ii) inappropriate management of invoices, which occurred in May 2016.

During the Track Record Period and as of the Latest Practicable Date, the Group had been subject to administrative penalties imposed by PRC regulatory authorities (including PRC tax authorities) with an aggregated fine of about RMB1.8 million (including the fines of RMB0.4 million against Jingdezhen City Commercial Bank before the Acquisition), which had been paid in full.

Save for the non-compliance incidents disclosed under "– Legal and Administrative Proceedings – Regulatory Inspections and Proceedings", "– Legal and Administrative Proceedings – Compliance with Core Indicators", "– Legal and Administrative Proceedings – Anti-Money Laundering" and "– Legal and Administrative Proceedings – Employee Non-compliance", as of the Latest Practicable Date, the Group has not been subject to any other material administrative penalties.

The Bank has taken and will continue to take the following major steps and measures to rectify the issues identified by the PRC regulatory authorities:

- regarding the issues with clear solutions, the Bank has rectified in a timely manner in accordance with rectification opinions of the PRC regulatory authorities and the Bank's internal policies;

- regarding the issues caused by flaws in the Bank's systems and procedures, the Bank improved the relevant systems and procedures;

- regarding the issues in connection with the poor implementation of the Bank's systems, the Bank has held the employees who violated the rules accountable and issued internal warnings and guidance;

- regarding the branches and sub-branches which were not inspected by the PRC regulatory authorities, the Bank has inspected these branches and sub-branches itself for issues highlighted by the PRC regulatory authorities to eliminate similar operational risks and hidden potential management obstacles; and

- to prevent such issues from recurring, the Bank provided additional training to employees, has taken new measures in risk management and improved the Bank's internal control system.

In particular, the Bank has taken, and intends to continue implementing, the following key steps and measures to rectify the issues identified by the PRC regulatory authorities:

- regarding non-compliance related to investment in Non-standard Credit Assets, the Bank improved its internal policies to strengthen risk management in this aspect, arranged regular and *ad hoc* self-inspection, and set aside sufficient provisions for the relevant investment in accordance with "substance over form" principle; and

- regarding non-compliant handling of bank bills business, the Bank discontinued the bank bills transactions which violated the prudent operation principle, strengthened verification of the authenticity of trade background by requiring the relevant clients to supplement related contracts and invoices for examination, disciplined the responsible personnel, and optimized internal policies to further standardize operation procedures of bank bills business.

Regarding the other deficiencies identified by PRC regulatory authorities, the Bank made timely rectification and implemented more strict internal rules in the relevant aspects, including correcting errors in financial statistics data, conducting comprehensive self-inspection to prohibit non-compliant collection of financing service fees, and providing additional employee training on financial laws and regulations to improve their compliance awareness.

Through the above remedial measures, the Bank believes that it has taken appropriate actions to rectify the identified deficiencies. As of the Latest Practicable Date, the Bank has not received any objection to its remedial actions or any request to implement further remedial measures from the regulatory authorities. Furthermore, during the Track Record Period and as of the Latest Practicable Date, the Group has not experienced any revoke of approval, license or authorization that is necessary for any member of the Group to remain in legal existence or conduct ordinary business. In addition, the Group has not identified any major risk management and internal control weaknesses in connection with the deficiencies identified by the regulatory authorities. Accordingly, the Group believes the above deficiencies identified by regulatory authorities will not materially affect the Group's business, financial conditions and results of operations. The Bank's Directors believe that the above administrative penalties did not, individually or in the aggregate, have a material adverse effect on the Bank's financial position or results of operations.

The Bank has engaged an independent internal control advisor to review the Bank's internal controls over financial reporting. Based on the findings and recommendations identified by the internal control advisor, the Bank has made improvements in matters related to the Bank's business operation, internal control and risk management, including controls in relation to the deposit business process, credit business management process and financial markets business process.

Based on (i) there being no material adverse impact of the Bank's non-compliance incidents on the Bank's business, financial condition or results of operations; and (ii) the internal control measures the Bank has adopted based on the recommendations of the Bank's internal control advisor to rectify the internal control deficiencies, the Bank's Directors consider that the Bank's internal control measures are adequate and effective in all material aspects.

Findings of Regulatory Examinations

Certain routine and *ad hoc* inspections and reviews carried out by PRC regulatory authorities have identified that the Bank and the Bank's subsidiary, Jiangxi Financial Leasing, have certain deficiencies with respect of its business operations, risk management, anti-money laundering, corporate governance and internal controls, the details of which are set forth below. None of these inspections and reviews has identified any material risk or incident of non-compliance. The Group has remedied the identified deficiencies and submitted remedial reports to relevant regulatory authorities in line with the request of relevant PRC regulatory authorities. During the Track Record Period and up to the Latest Practical Date, the relevant regulatory authorities have not raised any objection to the Group's remedial measures set out in the remedial reports and adopted by the Group, nor had the regulatory authorities requested the Group adopt further remedial measures. The major inspection and review results and the Group's corresponding remedial measures are summarized below.

CBIRC

The relevant local offices of the CBRC, a predecessor of the CBIRC, conducted regular and *ad hoc* inspections on the operating conditions of the Bank and the Bank's subsidiary, Jiangxi Financial Leasing. Based on these inspections, the relevant local offices of the CBRC issued inspection reports that included inspection results and guiding opinions. The major issues and guiding opinions raised by the relevant local offices of the CBRC in their reports to the Group and the Group's corresponding remedial measures during the Track Record Period and up to the Latest Practical Date are set forth below:

Major issues and/or main recommendations	The Group's key remedial measures	Latest submission of remedial reports
Credit risk management		
• Insufficient and incomplete pre-loan investigation, including failure to verify the authenticity of transaction background for certain loans and failure to conduct comprehensive review on clients' background.	• The Bank improved its relevant internal policies to strengthen comprehensive management over pre-loan investigation and enhanced implementation of relevant risk management measures to address issues being raised, including (i) conducting more rigorous due diligence on underlying transactions and qualification on relevant borrowers, (ii) requiring timely recovery of loans from certain borrowers with unauthentic underlying transaction, and (iii) enhancing employee training on pre-loan investigation.	February 28, 2017
• Insufficient post-disbursement management, including failure to make accurate classification of certain loan products, and failure to make timely tracking and supervision on use of proceeds so that misappropriation of loans occurred from time to time.	• The Bank enhanced its post-disbursement management measures, including (i) improving the mechanism to closely monitor borrowers' use of funds and source of repayment; (ii) enhancing review of loan classifications and timely adjusting classification of the loans identified in relevant inspection reports to reflect the actual risk exposure to such loans; (iii) improving internal rules and implementation of measures to ensure timely recovery of loans; and (iv) improving training to employees and enhancing frequency and intensity of inspection on post-disbursement management. In addition, the Bank improved an early risk identification and alert system for loans of more than RMB30 million, and strengthened its monitor and analysis on corporate borrowers' business operation and financial conditions.	May 17, 2018
• Inadequate credit risk management, including failure to efficiently dispose of non-performing assets and failure to largely improve its credit risk related indicators.	• The Bank improved the implementation of its internal rules to control NPLs, and further increased the transferal and allowance on NPLs. The Bank also assigned new managers to manage NPLs in branches to improve management work and established working teams to conduct comprehensive inspection and recovery over NPLs on regular basis. The Bank published monthly internal notifications regarding default of loans, and organized on-site special meetings to supervise and guide the branches or sub-branches with relatively more NPLs to strengthen risk control. In addition, the Bank further enhanced performance appraisal relating to NPLs and improved management and supervision over branches' NPLs.	May 17, 2018
• Inadequate management on credit risks associated with loans to industries with high credit risks, such as the real estate industry, and LGFV.	• The Bank prepared and improved various internal rules and regulations in relation to credit risk assessment and approval to enhance its management on loans to over-capacity industries and LGFVs, including pre-loan credit assessment, post-disbursement management, concentration risk prevention and mitigation, and strictly implementation of stress test and risk warning management on loans to relevant borrowers. In particular, the Bank further restricted credit extension to real estate projects in county areas, strengthened risk assessment and investigation on the existing loans in the real estate industry and formulated specialized rectification plans to enhance risk control on such existing loans.	May 17, 2018

Major issues and/or main recommendations	The Group's key remedial measures	Latest submission of remedial reports
• To further improve post-lease management of Jiangxi Financial Leasing, in particular, inadequate supervision over the leased assets and insufficient investigation on the leasees' business and financial information.	• Jiangxi Financial Leasing improved its post-lease management by formulating a set of internal policies on post-lease management, strengthening supervision over leased assets, requiring clients to provide the relevant contracts and invoices for its verification on the use of funds, and conducting more frequent and comprehensive on-site inspection on leasees' business and financial conditions.	October 20, 2017
Operational risk management		
• To implement a more complete and effective performance appraisal system, in particular, (i) implement standardized performance appraisal procedures and (ii) strictly comply with CBRC rules which require the proportion of deferred payment of performance-based pay for major senior management to be more than 50%.	• The Bank formulated additional internal rules in relation to performance appraisal and made proper filing of such rules to relevant regulatory authorities; increased the proportion of deferred payment of performance-based pay to ensure compliance with relevant CBRC rules.	February 28, 2017
Liquidity risk management		
• Insufficient liquidity management measures, including incomplete liquidity risk stress tests, relatively fast growth of risky assets and inadequate internal rules on the standards and procedures of liquidity management.	• The Bank improved relevant policies and enhanced implementation of requested procedures to closely monitor liquidity risks and ensure liquidity risk stress tests could be undertaken in a more stringent way; enhanced supervision on performance of departments in charge of liquidity risk management, so that the Bank could timely monitor and manage the development of its liquidity status. In particular, the Bank improved liquidity emergency plans and detailed implementation rules on managing liquidity limits, and also arranged liquidity emergency drills on a regular basis.	May 17, 2018
• Decline in liquidity and failure to meet regulatory requirements on certain liquidity ratios.	• The Bank further improved its liquidity risk management by optimizing assets and liabilities portfolio and increased liquidity ratio by increasing investment in assets with high liquidity such as government and policy bank bonds; closely monitor liquidity conditions of the market to timely adjust assets and liability structure through managing development of different business lines accordingly; further improved mechanism in monitoring and supervising liquidity to ensure strict compliance of various regulatory liquidity indicators.	January 25, 2017
Financial markets business		
• Inadequate internal regulations on wealth management business, including failure to formulate a separate set of pricing policies for wealth management business, failure to set detailed performance appraisal indicators for the department specialized in wealth management business.	• The Bank enforced a separate set of internal rules in relation to pricing policies of wealth management business; improved performance appraisal system by including detailed appraisal criteria and indicators for the department in charge of wealth management business.	February 28, 2017
• Insufficient pre-investment due diligence and post-investment management over investment targets of certain wealth management products, and failure to properly implement internal policies on risk limits of wealth management business.	• The Bank strengthened pre-investment due diligence, regular and ad hoc inspections on investment targets and closely monitor changes in relevant risks. The Bank continuously monitored the implementation of internal rules on risk limits, kept detailed records on risk limit indicators and quarterly reports and submitted quarterly reports relating to supervision on risks in wealth management business to relevant authorities in accordance with applicable requirements.	February 28, 2017

Major issues and/or main recommendations	The Group's key remedial measures	Latest submission of remedial reports
• Insufficient management over interbank business, including failure to (i) update the name list of counterparties in time; (ii) follow the principle of authenticity in the transfer of credit assets; (iii) designate a specific department to handle interbank business denominated in foreign currencies and (iv) conduct proper accounting treatment for certain off-line interbank business.	• The Bank improved its internal rules and policies in relation to interbank business to further enhance its management and streamline the implementation procedures; discontinued certain transactions relating to fraudulent transfer of credit assets identified in the inspection report; further streamlined business operational procedures for interbank business and improved the allocation of duties and responsibilities of different branches and departments to enhance its risk management work in this respect.	February 28, 2017
Corporate governance and internal control		
• Inadequate and incomplete corporate governance and internal control system, in particular, insufficient number of independent directors, and failure to formulate specific internal rules prior to developing a new type of business.	• The Bank appointed new directors and aimed to find a professional in securities or other relevant fields as an independent director candidate; implemented additional internal rules in determining duties and responsibilities of different internal control departments; standardized operation procedures and established entry barriers for new type of business.	February 28, 2017
• Legal compliance management is subject to improvement, including failure to properly supervise and evaluate performance of employees to establish a more strict compliance culture.	• The Bank improved legal compliance management, including (i) enhancing employee training and appraisal to improve employees' compliance awareness and their capabilities to prevent and control risks; (ii) conducting thorough inspection on specific risks of non-compliance incidents and closely monitoring the progress of inspection and rectification on this matter; (iii) optimizing the internal policies and procedures to set forth more detailed requirements and restrictions of employees' behaviors for prevention and control of non-compliance incidents.	May 17, 2018
Information technology management		
• Information technology management system subject to improvement, including insufficient human resources for information technology development and maintenance, and failure to establish sufficient policies and procedures on software development.	• The Bank improved information technology management by recruiting more qualified experts, strengthening supervision over the daily operation of information technology system, incorporating establishment of software development standards into core work of the Bank's software development center, and formulating additional internal rules to standardize data security management procedures.	April 1, 2017

During the Track Record Period, the Group made submission of reports in time in relation to implementation of regulatory recommendations included in the inspection reports issued by the relevant local offices of the CBRC, including the CBRC Jiangxi Office. As of the Latest Practicable Date, the Group has neither received any further comments from the relevant local offices of the CBRC, nor has the Group received any notice requiring the Group to take further remedial measures or impose any penalties on the Group. Pursuant to the inspection reports issued by the relevant local offices of the CBRC, the Group believes that there are no material deficiencies in the Group's business operations, corporate governance, internal controls or risk management. The Group also believes that the above suggestions and recommendations have no material and adverse impact on its business, financial condition or results of operations, but instead have enabled the Group to improve and enhance its operation management capabilities and risk control capabilities.

PBoC

The relevant local branches of PBoC conducted routine and *ad hoc* inspections on the Bank's operation from time to time. Based on these inspections, the relevant local branches of PBoC issued inspection reports that included inspection results and guiding opinions.

The major issues and guiding opinions raised by the relevant local branches of PBoC in their reports to the Bank and the Bank's major remedial measures during the Track Record Period and as of the Latest Practical Date, are set forth below:

Major issues and main recommendations	The Bank's primary remedial measures	Latest submission of remedial reports
• Insufficient internal control management system on anti-money laundering, in particular, the effectiveness of investigation and quality of reports on transactions with suspicious nature required to be improved.	• The Bank amended internal rules on anti-money laundering to clearly define the duties and responsibilities of senior management and branches and to further standardize business operation procedures; revised templates of account opening documents in accordance with requirements relating to anti-money laundering; strengthened employee training to enhance their professional capabilities on anti-money laundering business; conducted quarterly spot check on the quality of reports in branches and published notifications for typical cases with suspicious transactions to enhance the capability of identifying suspicious transactions; assigned specialized personnel in the head office to review reports of suspicious transactions submitted by branches.	June 30, 2016
• Failure in carrying out adequate verification and filing on account opening documents, and insufficient management over interbank settlement accounts.	• The Bank improved its information technology system to improve management of customers' personal information and increase efficiency and accuracy of account verification work; conducted comprehensive review on the management over interbank settlement accounts; enforced additional internals rules on interbank business to improve risk alert mechanism in relation to this matter; clearly defined internal authorization and approval procedures for interbank settlement accounts; and enhanced staff training on settlement account management.	November 8, 2017
• Failure to correctly use certain accounting items for national treasury collection business in compliance with applicable rules, and failure of certain employees to strictly follow refund procedures for centralized payment business.	• The Bank organized training and lectures for employees to strengthen strictly implementation of rules and policies relating to national treasury collection business and centralized payment business, correctly using accounting items in accordance with PBoC requirements, assigned specific staff in responsible for reviewing transaction documents to ensure accuracy of national treasury business.	June 30, 2016
• The Bank's internal control system on foreign exchange management needs to be further enhanced. In addition, the Bank is required to improve the accuracy, timeliness and completeness of declaration of international payment business.	• The Bank formulated additional internal control rules and plans on foreign exchange business; enhanced communication with supervisory authorities and made timely reports of issues identified in daily operation to supervisory authorities; strengthened review and inspection on daily statistics to improve the accuracy, timeliness and completeness of reports on this matter; strengthened employee training on regulations relating to foreign exchange business.	June 30, 2016

The Bank submitted reports in time with respect to its implementation of regulatory recommendations included in the inspection reports issued by the relevant local branches of PBoC. As of the Latest Practicable Date, the Bank has not received any further opinions from the relevant local branches of PBoC in respect to the Bank's implementation of their recommendations, nor has the Bank been requested to take any further remedial measures or be subject to any penalties. Based on the aforesaid inspection reports issued by relevant local branches of the PBoC, the Bank believes that it does not have significant deficiencies in its business operations, internal audit and risk management which may result in material and adverse impact on its business, financial condition or results of operations.

SAFE

The SAFE and its local offices conducted inspections on the Bank's foreign exchange business and issued inspection opinions, providing inspection results and relevant recommendations. During the Track Record Period, the major issues identified and main recommendations raised by the SAFE and its local offices and the Bank's primary remedial measures are set out below:

Major issues and main recommendations	The Bank's primary remedial measures	Latest submission of remedial reports
• Declaration of international payment business to be improved	• Strengthened employee training to enhance the accuracy and timeliness of international payment declaration, further optimized internal management and carried out self-examination and self-correction work in this aspect.	December 1, 2017
• Completeness and implementation of internal control policies to be improved	• Improved internal control policies by introducing accountability mechanism and refining operational procedures, enhanced employee training on implementing foreign exchange policies, and strengthened review on trade authenticity and consistency of foreign exchange receipts and payments.	March 22, 2017
• Failure to conduct sufficient review on foreign exchange registration business in respect of overseas direct investment, including failure to state a client's source of overseas funds in its application documents for foreign exchange registration.	• Enhanced employee training on policies and regulations of foreign exchange business, strengthened investigation on authenticity of transactions and legality of source of funds, further requested clients to provide due diligence documents, and improved internal policies and operational guidelines in this aspect.	September 17, 2016

The Bank submitted reports in time with respect to its implementation of regulatory recommendations included in the inspection reports issued by SAFE or its relevant local branches. As of the Latest Practicable Date, the Bank has not received any further opinions from SAFE or its relevant local branches in respect to the Bank's implementation of their recommendations, nor has the Bank been requested to take any further remedial measures or be subject to any penalties. Based on the aforesaid inspection reports issued by relevant local branches of the SAFE, the Bank believes that it does not have significant deficiencies in its business operations, internal audit and risk management which may result in material and adverse impact on its business, financial condition or results of operations.

Compliance with Core Indicators

The Bank is required to comply with various ratios set out in the Core Indicators (Provisional) of the CBRC. For details concerning the Bank's compliance with the Core Indicators (Provisional) during the Track Record Period, please see "Supervision and Regulation – Other Operational and Risk Management Ratios." During the Track Record Period, the Bank was not subject to any penalties as a result of non-compliance with any core indicators.

Anti-money Laundering

No material abnormal money laundering incidents have been identified or reported to the senior management during the Track Record Period. For details of the Bank's anti-money laundering measures, see "Risk Management – Legal and Compliance Risk Management – Anti-Money Laundering".

Employee Non-compliance

Save as disclosed in the prospectus, none of the Bank's Directors or employees has been involved in any non-compliance incidents that would have a material adverse effect on the Bank's business, financial condition or results of operations.

OVERVIEW

The primary risks in relation to the Group's operations include credit, market, liquidity and operational risks. The Group is also exposed to information technology, legal and compliance, and reputational risks.

The Group has established an integrated risk management system with comprehensive risk coverage and invested in continuous upgrade and optimization. For details about the Group risk management structure, please see "– Risk Management Structure".

The Group's Risk Management Objectives and Guidance Principles

The Group plans to continuously invest in establishing and upgrading a comprehensive, independent and efficient risk management system supported by a professional team, so that it could ensure efficiency of the risk management work and improve overall quality of assets in a sustainable way.

To achieve the above mentioned objectives, the Group has implemented the following guidance principles in its risk management.

Compliance	Conduct business in strict compliance with laws, regulations, policies and guidance promulgated or issued by relevant PRC authorities to protect public interest and the Group's reputation.
Cautiousness	The Group undertakes prudent and cautious measures in identifying, evaluating, monitoring and managing risks associated with different business lines, products, employees throughout entire Group to ensure the Group is well equipped with adequate capital and effective measures to deal with risks the Group may come across from time to time in the ever changing business and regulatory environment.
Balance	The Group intends to strike a balance between risk exposure and return through efficient cooperation between relevant departments that take in charge of business operations and risk management, respectively, so that, the Bank could make efficient allocation of its capital based on risk analysis to improve return for its shareholders.
Comprehensiveness	Risk management shall effectively cover all types of risks associated with the Group's operations, including each business line, operation procedure, department, position and employee.
Independence	The Group's departments in charge of risk management are independent from other departments and report directly to board of directors, board of supervisors and senior management.
Centralization	The headquarters design and promulgate risk management regulations and policies for implementation of the entire Group with integrated supervision and effective enforcement at different levels.

Risk Management Measures

The Group has adopted and will continue to implement the following measures to fulfill the Group's risk management objectives over recent years:

Credit Risk Management

- Further improve credit review and approval policies to enhance business in relation to low-risk industries, products and clients, so that the Group could optimize quality and portfolio of the Group's assets.

- Implement centralized credit review and approval management measures, including (i) establishing a credit review and approval system to properly manage both ordinary business and off-balance sheet transactions. In particular, the Group requests all different types of off-balance sheet transactions, such as bill acceptance and letter of credit, must be reviewed and approved by the branches, sub-branches or the Credit Review and Approval Committee at the head office, as the case may be, according to relevant rules and regulations; and (ii) establishing unified credit review and approval system covering entire Group. In addition, the Group requests its associated entities, including Jiangxi Financial Leasing and the five Village and Township Banks in which the Bank has equity interests, to strictly follow the Group's credit review rules, regulations and policies, to manage aggregate credit limit to each borrower group; (iii) review concentration risks associated with both the borrower itself and the entire borrower group, respectively, according to relevant PRC laws and regulations. The Bank will issue an alert when relevant percentage is found to be close to the cap set forth in relevant laws and regulations.

- In addition, the Group has established, and update credit cap for different business and products from time to time, taking into account various factors, including industries, clients, products, geographic markets and securities.

- Improve quality and efficiency of credit approval procedures by (i) enhancing preliminary screening work to only allow quality applicant or project proceed into next stage of credit review; (ii) emphasizing review on authenticity of relevant application materials, including enhancing on-spot checking and reviewing; (iii) preparing different credit review and approval procedures to improve efficiency; and (iv) introducing external data from tax, industry and commerce, law enforcement and credit supervision authorities or institutions, to improve the Group's capacity in terms of credit review, approval and risk prevention.

- Keep improving collection and disposal of NPL by (i) expanding collection channels through cooperation with relevant local government, PRC law enforcement authorities and asset management companies, so that the Group could access all necessary information and means, including background and assets of relevant debtors and guarantors; (ii) improve efficiency of collection enhancing accountability and incentive mechanism and set collection result as one criteria in performance evaluation work on relevant branches and sub-branches; and (iii) preparing comprehensive plans to solve NPL, including litigation, auction and asset swap, to optimize collection and solution efficiency.

Market Risk Management

- Optimize team composition for effective management of market risks, particularly, risks associated with financial markets business by assigning qualified personnel at specific positions.

- Enhance stress test by expanding the coverage of such test, further optimizing design of stress test hypothetical scenario, and undertake necessary steps to fully integrate foreign exchange risks into stress test for market risks.

- Optimize information technology system in relation to market risk management.

Liquidity Risk Management

- Maintain a balanced development of assets and liabilities by closely monitoring the maturity structure matching of assets and liabilities; conducting analysis on source and utilization of funds, actively seeking quality source of funds, including inter-bank business; and managing increase of long and mid-term assets in a cautious way.

- Closely monitor liquidity status every day to manage the Group's cash flow and position limit.

- Optimize the Group's multi-layer liquidity management mechanism, including (i) further increasing the proportion represented by assets with better liquidity and (ii) conducting routine tests on liquidity status of different types of assets to improve asset portfolio accordingly.

- Set maximum amount or percentage for different types of assets from perspective of managing liquidity risk and conduct bank-wide stress tests on liquidity.

Operational Risk Management

- Optimize structure of operational risk management through preparing comprehensive rules and procedures to address operational risks and improving supervision on implementation of risk management-related policies by relevant departments.

- Build up a professional team with necessary knowledge and authority in the headquarters; further delineate risk management responsibility in relation to different business lines; and improve training to employees on operational risks.

- Improve operational risk management system by further integrating various databases used to be separately maintained by different operating departments, so that, the Bank could combine related risk management functions into a single supervision and management platform to improve efficiency.

- Enhance routine supervision on key operational risks, in particular, the Group will (i) hold routine or *ad hoc* inspections from time to time to address specific types of risks and make prompt penalties towards non-compliance incidents; (ii) design specific inspection procedures and/or models to address particular specific risks associated with different business lines; and (iii) require different departments at the headquarters and different branches to conduct routine inspection and make timely reports.

Information Technology Risk Management

- Prepare comprehensive, accurate and user-friendly information technology system to ensure the Bank could manage all key issues through IT system.

- Improve training to employees on management of Information Technology risk; prepare contingency plans to address key types of information technology risk; enhance management of emergency IT center.

- Enhance internal audit work in relation to information technology risk management.

Reputational Risk Management

- Improve cooperation with professional third-party enterprises or institutions to prepare comprehensive rules and policies, so that the Group could better address identification, supervision and prevention of reputational risks.

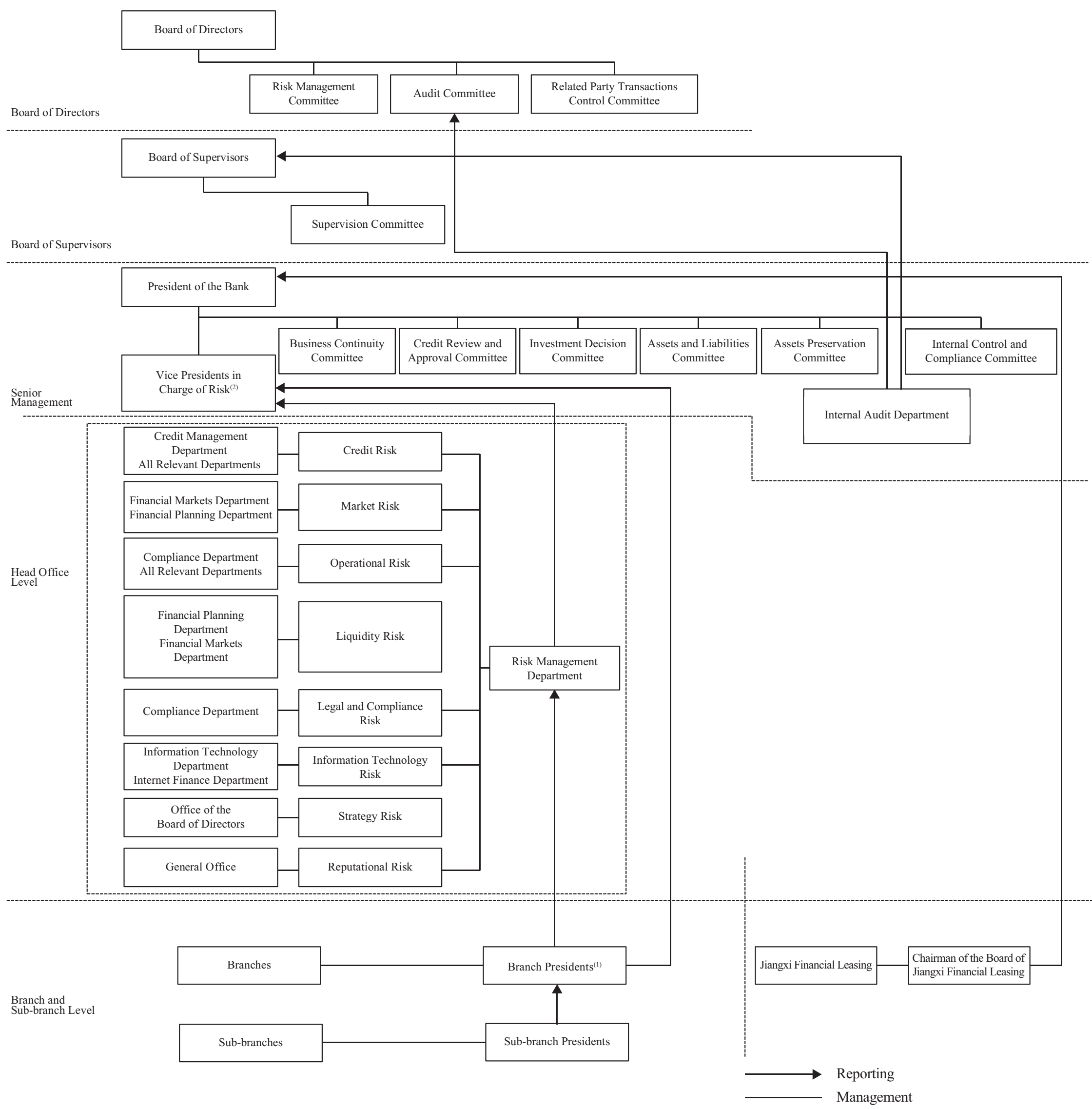
- Improve training on employees at the headquarters and branches on management of reputational risk and conduct routine tests.

- Closely monitor media coverage on the Group to make prompt response; take proactive approach to communicate with main stream media to promote positive image of the Bank; improve training to employees on properly handling media coverage, including management of information on their own personal social platforms.

RISK MANAGEMENT STRUCTURE

The Group has established a comprehensive bank-wide risk management structure based on business lines. Its top-down risk management model divides the risk management responsibilities by hierarchy and clearly defines the roles of the Board of Directors and its special committees, the Board of Supervisors and its Supervision Committee, the senior management and its special committees, the Risk Management Department and various other departments relating to risk management at the Bank's head office, the risk management departments at the Bank's branches and sub-branches, and the Audit Departments. The Group has established clear and specific procedures for reporting and communication between business operation departments and risk management departments to ensure an efficient and effective coordination for the Group's risk management work arrangement.

The chart below sets forth the Group's organizational structure of risk management as of the Latest Practicable Date.



Notes:

(1) All branches of the Bank have set up risk management departments which carry out the duties and responsibilities of risk management, credit management and asset preservation Departments.

(2) As of the Latest Practicable Date, the vice president in charge of the Group's risk management is Mr. XU Jihong.

Board of Directors and its Special Committees

The ultimate responsibility for risk management rests with the Bank's Board of Directors. Responsibilities of the Bank's Board of Directors include (i) establishing a sufficient and effective risk management system to ensure that the Bank operates in a prudent manner and complies with relevant laws and government policies; (ii) setting clear risk tolerance levels and ensuring that the senior management adopts necessary risk management measures; (iii) monitoring and assessing the sufficiency and effectiveness of the Bank's risk management system; and (iv) reviewing internal control evaluation reports and identifying significant defects of the Bank's risk management system.

Board of Directors performs its risk management duties through the Risk Management Committee, the Audit Committee, and the Related Party Transactions Control Committee, with support from management teams at the Bank's head office and branches.

Risk Management Committee

Risk Management Committee is primarily responsible for (i) supervising the Group's overall management on different types of risks; (ii) conducting periodic evaluation upon the Bank's risk management policies, management status as well as risk tolerance and advising on the Group's risk management and internal control improvement; (iii) discussing the risk management system with the senior management and ensuring that the senior management has fulfilled their duties to establish an effective risk management system; and (iv) performing other responsibilities as authorized by the Board of Directors.

The Risk Management Committee currently consists of six members and is chaired by Mr. ZENG Zhibin.

Audit Committee

Audit Committee of the Bank is primarily responsible for (i) conducting inspections on the Group's compliance, accounting policies, financial reporting procedures as well as the Group's financial wellbeing; (ii) organizing and leading the Bank's annual audit work; (iii) advising on the engagement or change of external auditors; (iv) ensuring the truthfulness, accuracy and completeness of the financial reports during the audit process and submitting them to the Board of Directors for review; (v) conducting inspections on the Group's internal control system; (vi) performing other responsibilities in accordance with applicable laws and regulations; and (vii) performing other responsibilities as authorized by the Bank's Board of Directors.

The Audit Committee currently consists of five members and is chaired by Ms. ZHANG Rui.

Related Party Transactions Control Committee

Related Party Transactions Control Committee is primarily responsible for (i) managing the Group's Related Party Transactions and formulating approval mechanism and procedures of Related Party Transactions in accordance with relevant laws and regulations; (ii) identifying Related Parties of the Group and reporting to the Bank's Board of Director and Board of Supervisors according to relevant laws and regulations; (iii) determining and reviewing the Bank's Related Party Transactions in accordance with relevant laws and regulations; (iv) submitting significant Related Party Transactions to the Board of Directors for approval, and submitting Related Party Transactions exceeding the authorization of the Board to the Shareholders' General Meeting for approval; and (v) performing other responsibilities as authorized by the Board of Directors.

The Related Party Transactions Control Committee currently consists of five members and is chaired by Mr. GUO Tianyong.

For details of compositions and responsibilities of the Bank's Board of Directors, the Risk Management Committee, the Audit Committee and the Related Party Transaction Control Committee, please see "Directors, Supervisors and Senior Management – Committees under the Board" and "Appendix V – Summary of Articles of Association".

Board of Supervisors

Responsibilities of the Bank's Board of Supervisors mainly include (i) supervising the formulation and implementation of the Group's development strategy; (ii) supervising the Board of Directors and senior management team in undertaking their duties and making comprehensive performance evaluation; (iii) inspecting the Group's financial conditions, as well as reviewing and commenting the Group's profit distribution plan; (iv) inspecting the Group's risk management and internal control work and supervising necessary rectifications, supervising the Board and senior management team to improve the internal control system; (v) guiding the Group's internal audit department to independently perform its auditing work; and (vi) performing other responsibilities as authorized by the Shareholders' General Meeting.

For details of the responsibilities of the Board of Supervisors, see "Directors, Supervisors and Senior Management-Committees under the Board of Supervisors".

Supervision Committee

The Bank's Supervision Committee is primarily responsible for (i) formulating supervision plans to monitor the Group's financial activities and advising the Board of Supervisors; (ii) supervising the Bank's Board of Directors' establishment of prudent business operational concepts, principles and development strategies based on the Group's practical needs; (iii) monitoring and inspecting the Group's business decisions, risk management and internal control; and (iv) performing other responsibilities as authorized by the Bank's Board of Supervisors.

The Supervision Committee currently consists of five members and is chaired by Ms. LI Danlin.

Senior Management and its Special Committees

Responsibilities of the Bank's senior management include (i) implementing and executing the Board of Directors' decisions; (ii) formulating systemic policies, procedures and methods and taking appropriate risk management measures according to the risk tolerance level set by the Board of Directors; (iii) establishing and improving internal organizational structure and ensuring each of the internal control duties is effectively performed; (iv) monitoring and evaluating the sufficiency and effectiveness of the Group's risk management system; (v) implementing regulatory authorities' policies and requests relating to internal control; and (vi) reporting the status of internal control to the Board of Directors and the Board of Supervisors on a periodic or *ad hoc* basis.

At the senior management level, the Bank has established six special committees relating to risk management including the Business Continuity Committee, the Investment Decision Committee, the Credit Review and Approval Committee, the Assets Preservation Committee, the Assets and Liabilities Committee and the Internal Control and Compliance Committee.

Business Continuity Committee

The Business Continuity Committee is responsible for (i) inspecting the strategies and policies in relation to Group-wide business continuity to ensure consistency with the Group's overall business strategy and significant tactics; (ii) coordinating allocation of the Bank's management resources for construction of the Group-wide business continuity work and supervising implementation of relevant work by responsible departments; (iii) regularly reporting to the senior management on implementation of the business continuity management strategies and the performance of the relevant departments; (iv) approving the contingency plans and procedures for the interruption events occurred in the Group's operation and clarifying emergency report routes; (v) decision-making and commanding emergency disposal of interruption events in the Group-wide operation, coordination and supervision of the implementation of the emergency recovery measures; and (vi) filing reports to CBRC and its dispatched offices on the material incidents or emergencies in relation to the Group's business continuity.

The Business Continuity Committee currently consists of 18 members and is chaired by Mr. LUO Yan, the president of the Bank.

Investment Decision Committee

The Investment Decision Committee is responsible for (i) conducting analysis on the market positioning, overall policy and development strategy of the bank-wide proprietary investment business, asset management business and investment banking business; (ii) formulating policy and procedures of investment business in relation to both standard and non-standard assets, covering management system, approval authority, project structure and innovative business model; (iii) reviewing and approving project feasibility analysis and investment plans in relation to investment in Standard Investment Assets and Non-standard Credit Assets; and (iv) reviewing the countermeasures of emergencies in relation to investment, and formulating overall solution strategy.

The Investment Decision Committee currently consists of nine members and is chaired by Mr. CHENG Zongli, the vice president of the Bank.

Credit Review and Approval Committee

The Credit Review and Approval Committee is responsible for (i) reviewing strategies and important management policies relating to credit approval; (ii) making decisions on significant credit extension projects; (iii) reviewing important credit risk matters; (iv) reviewing and approving various types of credit applications within its authorization; and (v) conducting analysis on credit business development and risk management status based on laws, regulations and credit policies.

Depending on the amount of the credit applications for approval and the complexity of relevant business, the venue of Credit Review and Approval Committee meeting at the Bank's headquarters can be either seven or five persons. The seven-person-meeting will be chaired by the vice president of the Bank without voting required taking charge of credit review and approval work and a representative of Audit Department will be present at the seven-person-meeting. Seven committee members for respective meeting shall comprise (i) five business department commissioners, being department head from each of the Credit Management Department, Risk Management Department, Compliance Department, Planning and Finance Department, and Corporate Banking Department; and (ii) two professional commissioners. The five-person-meeting will be chaired by the head of the credit management department at the headquarters, and the five committee members for respective meeting shall comprise (i) the head of the credit management department; (ii) two senior members in charge of the Bank's credit review work and (iii) two professional commissioners who randomly are selected from a pool of qualified employees with necessary skills and experience by Credit Management Department. The Bank's credit management department is in charge of senior members and the professional commissioner.

As of December 31, 2017, the Bank had twenty nine qualified employees for random selection to work on Credit Review and Approval Committee meetings as professional commissioners. These employees are selected from different departments based on their academic record, working experience, performance in the past and review results from his/her colleagues and supervisors. The Bank generally requests qualified employees to hold a bachelor degree or above with a minimum eight consecutive years working experience in relation to credit review. Each member in the qualified employee list generally has a three-year term serving as candidate for professional commissioner and the Bank conducts annual review on performance of relevant employees.

The Credit Review and Approval Committee is currently chaired by Mr. CHEN Yong, the vice president of the Bank.

Asset Preservation Committee

The Asset Preservation Committee is primarily responsible for (i) studying and reviewing significant policies and issues relating to non-performing assets management pursuant to the Group's risk strategies; (ii) formulating management measures for transferring, restructuring and disposal of non-performing assets; (iii) assisting Risk Management Department, Asset Preservation Department and Compliance Department to manage litigation in relation to management of non-performing assets; and (iv) performing other responsibilities as authorized by the Board of Directors.

The Asset Preservation Committee currently consists of six members and is chaired by Mr. XU Jihong, the vice president of the Bank.

Assets and Liabilities Committee

The Assets and Liabilities Committee is primarily responsible for (i) setting targets for assets and liabilities of the Group; managing the total amount and structure of assets and liabilities on and off balance sheet and the domestic and foreign currencies of the entire bank; (ii) timely preparing, reviewing and adjusting annual Group-wide business budget and financial budget according to macroeconomic changes and the Group's business development strategies; (iii) managing capital adequacy ratio of the Group, formulating capital replenishment plans for the Group, and reviewing capital adequacy ratio reports of the Group according to the target capital adequacy ratio and capital planning determined by the Board of Directors; (iv) setting liquidity risk limits for domestic and foreign currencies and on and off balance sheet in assets and liabilities, and formulating other details of liquidity risk management policy for the entire bank, including the maturity structure matching of assets and liabilities, large amount proactive indebtedness plans (excluding capital financing), liquidity risk management policy and procedures, stress tests and emergency management measures, according to the overall risk appetite as determined by the Board of Directors; sufficiently understanding and regularly assessing the level of liquidity risk at legal person level and status of its management; timely understanding significant changes in liquidity risk, and reporting to the senior management at the head office and the Board of Directors; (v) setting the interest rate risk limit for structured bank accounts, formulating other details of interest rate risk management policy of structured bank accounts of the Group, including net interest income of the Group, various interest rate simulation scenario reports, interest rate sensitivity gap analysis reports, changes in value of investment portfolio of bank account, according to the overall risk appetite as determined by the Board of Directors; formulating and adjusting the pricing rules for transfer of internal and external funds, identifying contingent events of interest rate risk of bank accounts, organizing and implementing stress tests and reviewing stress test reports; (vi) reviewing the interest rate risk of new products and new businesses under the bank account; (vii) carrying out specific duties assigned by the office meeting of the president at the Bank's head office; and (viii) managing other affairs relating to asset and liability management.

The Assets and Liabilities Committee currently consists of fifteen members and is chaired by Mr. LUO Yan, the president of the Bank.

Internal Control and Compliance Committee

The Internal Control and Compliance Committee is primarily responsible for (i) ensuring that the Group has established an effective internal control system and strengthening compliance management; (ii) preventing the case risk and guaranteeing the sound operation of the Group's business activities; (iii) reporting to the Board on a regular basis on the implementation of the internal control, compliance and case prevention as well as the performance of the relevant departments; and (iv) reviewing the subjects with respect to internal control, compliance and case prevention.

The Internal Control and Compliance Committee currently consists of five members and is chaired by Mr. CHEN Yong, the vice president of the Bank.

Departments Relating to Risk Management

Departments Relating to Risk Management at the Bank's Head Office

The Bank's head office oversees all risk management activities and supervises risk management at the Bank's branches and sub-branches. The Bank has established the following departments at the Bank's head office, each being responsible for managing risks in its respective area. The primary duties and responsibilities of these departments are set forth below.

Risk Management Department

The Bank's Risk Management Department is responsible for (i) planning and coordinating Group-wide comprehensive risk management system; (ii) formulating Group-wide risk management policies and procedures and establishing Group-wide risk management and internal control system and specific standards or measurements; (iii) coordinating different departments to establish and optimize comprehensive risk management system of the Bank; (iv) leading and coordinating different departments to implement comprehensive risk management work covering Group-wide businesses that are exposed to credit risks, including loan inspection management, fund disbursement management, post-disbursement management, loan risk classification management, client credit classification and documentation management; and (v) leading and coordinating other departments to manage and handle non-performing assets including procedure formulating and non-performing assets transferring, restructuring and disposal.

Credit Management Department

The Bank's Credit Management Department is responsible for (i) undertake daily management of credit review and management work in relation to different business lines; (ii) conducting industry research, analyzing macroeconomic environment and economic condition in different regional markets, studying credit risks of different industry sectors and publishing periodic reports accordingly; (iii) preparing implementation measures and procedures on credit review and approval work based on rules and regulations on credit review that issued by the Risk Management Department; (iv) performing the responsibilities delegated by the Credit Approval Committee and organizing credit approval meetings in a timely manner; and (v) guiding and supervising the credit approval work of different branches and sub-branches.

Planning and Finance Department

The Bank's Planning and Finance Department is responsible for (i) managing bank-wide liquidity risk including the identification, assessment, monitoring and control of the liquidity risks; (ii) establishing and implementing monitoring and alert system for liquidity risks; (iii) conducting stress tests for liquidity risks and formulating and implementing contingency plans; (iv) assisting Risk Management Department to mitigate and manage market risks; and (v) report periodically to the senior management about management of liquidity risks and market risks.

Operation Management Department

The Bank's Operation Management Department is responsible for (i) formulating and preparing rules and procedures in relation to operations of different business lines and supervising implementation; (ii) establishing and improving operational risk management structure and system, optimizing back-stage accounting procedures and consolidate approval measures to prevent operational risks; (iii) leading bank-wide management on operational risks in relation to accounting work, including management on authorization procedures, corporate seals, financial documents, vault inspection, and bank accounts verification; and (iv) other responsibilities assigned by the Board and Directors and senior management.

Compliance Department

The Bank's Compliance Department is responsible for (i) formulating policies relating to internal control, legal and compliance, anti-money laundering, consumers protection, operational risks and establishing a comprehensive compliance and operational risk management system that covers all business lines at the Bank's head office, branches and sub-branches; (ii) continuously following up and studying regulatory development and providing compliance advice to the senior management and other departments; (iii) assisting different departments to streamline, consolidate and review relevant rules and implementation measures to ensure compliance with PRC laws and regulations; (iv) preparing compliance management procedures and operational manuals to ensure its business activities are in compliance with applicable regulations and industry standards; (v) communicating regulatory authorities, tracking and studying inspection requirements and the Bank's rectification results; and (vi) making periodic reports to relevant senior management team members and Risk Management Committee in respect of relevant risks it takes charge of.

Financial Markets Department

The Bank's Financial Markets Department is responsible for (i) assisting risk management departments to formulate rules, policies and operational procedures for the Bank's financial markets businesses; (ii) establishing transaction and information management systems for proper managing different financial markets business so that the Bank could efficiently prevent, identify, evaluate and manage risks associated with relevant products and services; (iii) assisting Risk Management Department to supervise implementation of risk management rules in relation to financial markets business and making timely report when any business exceeds indicators set up by the Bank; and (iv) providing assistance to Risk Management Department for its periodic reports to senior management on management of risks associated with financial markets business.

Asset Preservation Department

The Bank's Asset Preservation Department is responsible for (i) managing, transferring, restructuring and disposal of non-performing assets; (ii) assisting Risk Management Department and Compliance Department to manage litigation in relation to non-performing assets management.

Information Technology Department

The Bank's Information Technology Department is responsible for (i) coordinating bank-wide development of the Group's information technology systems including computer programs and smartphone applications relating to the Bank's E-Banking businesses; (ii) maintaining the stable operation of the Group's information systems and dealing with information system contingencies and (iii) optimizing the functionality and improving the security of the Group's information technology systems.

General Office

General Office is responsible for managing the Group's public relationship and leading the Bank's bank-wide reputational risk management.

Audit Department

The Bank's Audit Department is primarily responsible to undertake internal audit and takes charge of (i) formulating auditing process, operating standards and other internal auditing mechanism; (ii) establishing and continuously optimizing operation system for audit work; (iii) conducting comprehensive evaluation on different risks and management on relevant risks; (iv) implementing the annual audit work plan; (v) supervising business operations, risk management, internal control, compliance and corporate governance work conducted by subsidiaries and different departments of the Group, as well as conducting evaluation on their performances; (vi) reviewing disclosure of significant Related Party Transactions; (vii) supervising rectification work; and (viii) making proper filing for audit projects.

Risk Management Framework at the Bank's Branches and Sub-branches

Risk Management Departments at the Bank's Branches and Sub-branches

In line with the Group's strategy of establishing a comprehensive risk management system covering entire Group with effective supervision mechanism, the Bank has established a risk management department at each branch and sub-branch directly supervised by the headquarters, which takes the responsibility of implementing risk management policies and procedures promulgated by the headquarters. For other types of sub-branches, it is the president, or, where applicable, the vice president in charge of risk management work, to take the lead in risk management work in relevant sub-branches and submit reports to supervising entities within the Bank.

In addition, the Group has established an internal reporting mechanism to ensure timely and effective report to the headquarters upon occurrence of material and urgent incidents throughout the Group, where the specific branch or sub-branch shall make parallel reports to (i) the Bank's chairman, chairman of the board of supervisors or presidents and (ii) president and vice president as well as relevant department of such branch and sub-branch.

The Group has developed standardized operation manuals for credit review and approval, credit rating, post-disbursement management and other relevant procedures and the Group requires the Bank's branches and sub-branches to follow these manuals. The Group updates the manual from time to time and distributes them to the Bank's branches and sub-branches on a timely basis.

Risk Monitoring and Alert

The Group has established an integrated risk management structure to manage each type of bank-wide risks, such as credit risk, market risk, liquidity risk and legal and compliance risk. The Group has also been utilizing various information technology systems to monitor the Group's risks promptly.

- For credit risk management, the Group has established an integrated credit management system. During the pre-loan investigations, the Bank require all employees, whether at the Bank's head office or at the Bank's branches and sub-branches, to log detailed information about the customers and the relevant transactions into the Group's credit management system on a timely basis pursuant to the Group's standardized operational procedures. The credit management system manages the credit approval procedures and only allows the authorized approvers to approve the loan applications within their respective limits.

- For the Group's post-disbursement management, the Group requires its personnel to conduct inspections and record data in relation to financial performance, most recent statistics and research results of the relevant parties into the Bank's credit management system. Based on these data, the Bank's head office is able to analyze the Group's loan portfolio and manage group-wide credit risks.

  The credit management system also allows the Group to issue risk monitoring alerts upon any triggering events and conducting regulatory filings in compliance with the applicable laws and regulations.

- For market risk management, the Group reviews various statements relating to its investments generated by the Group's CFS system. The Bank's Risk Management Department, Financial Planning Department and Financial Markets Department at the head office use these statements to conduct gap analysis, duration analysis, stress test and scenario analysis in measuring and monitoring market risk. In addition, the Bank's Financial Markets Department reviews data generated by third party database to monitor the material fluctuation of the fair value of major active debt securities.

- For liquidity risk management, the Group reviews various statements and spreadsheets relating to liquidity risk management generated by the ALM Platform. For instance, the Bank's Financial Planning Department reviews the accumulated cash gap rate chart every day to manage the Group's cash flow and position limit. The Group timely analyzes maturity profiles of its assets and liabilities and monitors all liquidity ratios.

- For legal and compliance risk management, the Group closely monitors its key regulatory indicators and the latest development of laws and regulations, and publishes legal and compliance risk notifications on the Group's internal network to remind the Group's employees to prevent and reduce the occurrence of risk incidents.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of loss that may arise from default by, or downgrade of credit rating of, an obligor or counterparty, or from its reduced capacity of fulfilling its contractual obligations. The Group is exposed to credit risks primarily associated with the Group's corporate loan business, personal loan business and financial markets business. The Group has established and continues to improve a bank-wide credit risk management system to identify, assess, measure, monitor, mitigate, and control risks that may arise from each step of the entire credit business process. The Group has formulated standardized policies and procedures for credit review and extension management. The Group seeks to improve its overall credit risk management capabilities through a variety of measures, such as implementing a vertical credit risk management system, establishing a five-level 12 sub-categories loan classification system and enhancing its capacity to utilize information technology to manage credit risk. As a result, the Group has effectively enhanced its credit risk management capacity.

Credit Policy Guidelines

The Group is dedicated to striking a balance between sound loan growths and maintaining a prudent culture of risk management. The Group prepares detailed guidance on credit risk management based on the local, domestic and international economic conditions and the development of regulatory environment, which include overall credit policies and specific guidelines for different industries, business lines, customer types and geographic regions. In addition to a regular annual review and update, the Group also issues notices to respond to changes in government policies, economic environment and its own risk preference.

In formulating credit policies, the Group studies the macroeconomic environment in Jiangxi Province, China and other major countries and analyzes the risks and uncertainties that might be relevant to the Group's operations. The Group closely follows the development in local and national economic development plans, financial regulations and monetary policies and adjusts its credit guidelines accordingly. For instance, the Group prioritizes extending its credit in cities with good growth potential that it identifies according to study on governmental planning. In the meantime, the Group adopts a prudent credit extension strategy and limits its credit exposure to industries with unfavorable growth prospects, such as the industries with heavy pollution, high energy consumption or overcapacity (兩高一剩).

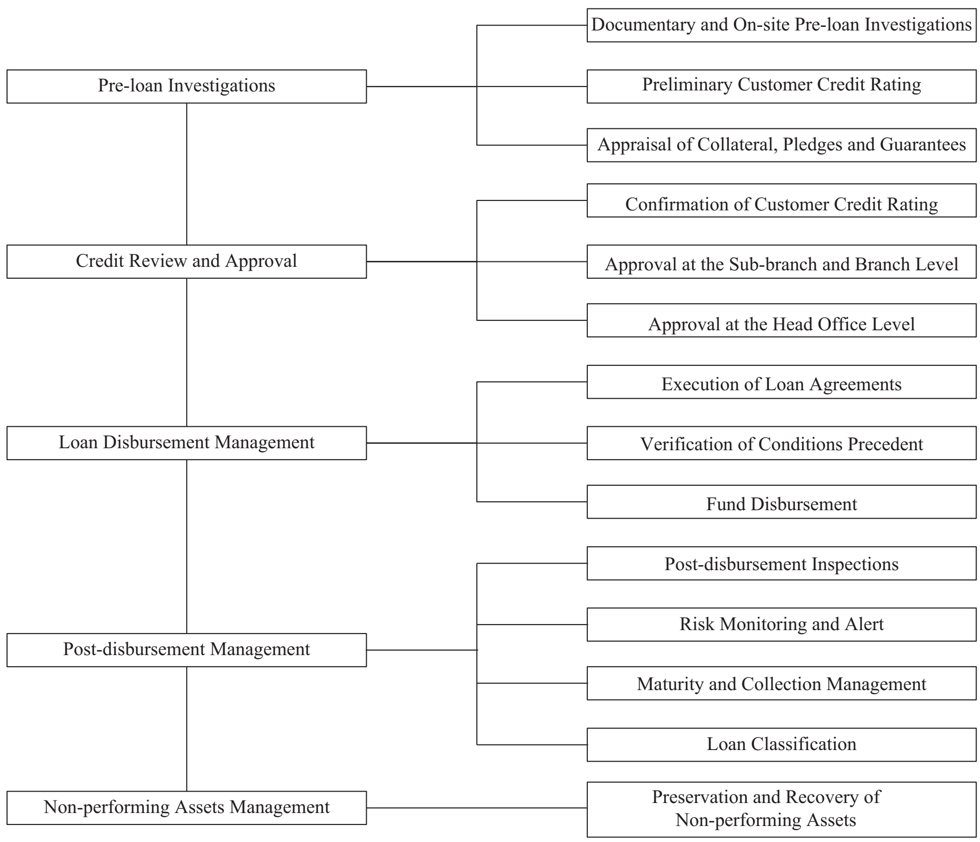
The Group has developed industry-specific corporate credit guidelines to classify industries into three categories: "active support", "moderate support", and "cautionary support". The "active support" industries mainly include the strategic emerging industries, culture and travelling, medical and education, to which the Bank allocates with priority its credit resources. For industries categorized as "moderate support" group, the Group provide credit support with strict observation on its overall portfolio, which mainly includes power, automobile manufacturing, manufacturing of agriculture products, transportation, logistics, hotel and catering, leasing and commercial services. The "cautionary support" category includes the industries relating to whole sale and retailing services, real properties, construction, nonferrous metal and paper making.

The Group has adopted a "customer list" management policy and other specific policies tailored for these industries. The Group conducts quote management on real properties and other industries with high pollution, high energy consumption and excess production capacity, and implements growth control over industries with relatively high risk. In the meantime, to effectively control concentration risk, the Group also implements growth control over industries with high ratio of credit concentration. For details, please see "– Credit Risk Management – Credit Risk Management for Corporate Loans – Portfolio Management – Credit Risk Management for Real Estate Industries" and "– Credit Risk Management – Credit Risk Management for Corporate Loans – Portfolio Management – Credit Risk Management for Loans to LGFVs" in this section. The Group's credit policies may also vary in different geographical regions based on local situations.

For loans to small and micro enterprises, personal loans and micro loans, the Group has also formulated specific policies based on products, customers and industries and generally updates these policies on an annual basis.

Credit Risk Management for Corporate Loans

The Bank's credit risk management procedures for corporate loans include pre-loan investigations, credit review and approval, loan disbursement management, post-disbursement management and non-performing assets management. The following flowchart illustrates the process of the credit risk management for the Bank's corporate loan business.



Pre-Loan Investigations

Documentary and On-site Pre-loan Investigation

After a corporate banking customer submits a credit application, the Bank starts its pre-loan investigation process. The Bank generally requires the applicant to provide necessary supporting documents, such as its organizational documents, business certificates and recent financial statements. The Bank also requires the applicant to provide its ownership certificates and valuation reports for collateral if the loan is secured, and the information and the relevant supporting documents about its guarantors, if the loan is guaranteed. The Bank's account managers will review relevant documents pursuant to the established criteria and verify their authenticity and effectiveness.

In addition to documentary investigations, the Bank also requires on-site due diligence as part of its pre-loan investigation. In order to prevent operational risk from the Bank's account managers, it adopts a "two-person investigation" mechanism which requires two account managers to conduct on-site investigations. Each of the two account managers visits the borrower's business premises and inspects their manufacturing equipment, inventories, value-added tax invoices and utility consumption to check their actual business operations.

The Bank's account managers carefully examine the customer's shareholding structure, credit history, operational status, compliance status, industry development, regulatory environment and financial condition. The Bank's account managers also conduct an analysis of the customer's use of proceeds and capacity for repayment. Based on the preliminary analysis of the customer profile, the Bank's account managers prepare a credit investigation report. The Bank requires two account managers to sign the credit investigation report and they have joint responsibility for the authenticity, completeness and effectiveness of the information in the credit investigation report.

Customer Credit Rating

Upon the receipt of all the necessary documents to the Bank's satisfaction and the completion of the pre-loan investigations, the Bank's account managers accept the credit application and proceed with the credit rating. A credit rating is a prerequisite for credit extension to corporate banking customers. The Bank rates its corporate customers in 16 categories, namely AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB, B, CCC, CC, C and D.

The Bank's electronic credit rating system utilizes nearly 20 rating models to address different scenario, which are prepared by taking into account various financial and non-financial indicators, including industry sector, business nature and scale of relevant loan applicant.

Once the Bank's account managers enter the relevant financial and operational factor of the loan applicant into this system, the system will apply one of these rating models based on the applicant's specifications to generate a preliminary credit rating, which will be used as a reference for further analysis by the Bank's credit rating staffs.

In determining final credit category with reference to preliminary rating generated from the system, the Bank conducts further review on relevant factors, including transaction history between the Bank and relevant applicant, shareholders' background or government support of relevant applicant, as well as business prospect of the business the underlying loan to be used. In accordance with relevant rules, changes to preliminary rating can only be approved by authorized personnel at the headquarters or branches. In particular, the president of branches or sub-branches may approve an upgrade or downgrade for no more than one level, while the head of credit reviewing specialist at the headquarters may approve an upgrade or downgrade for no more than two levels. Other changes to credit rating must be approved by the head of Credit Management Department.

Subsequent to the loan disbursement, the Bank generally re-rates each customer who has credit balance with the Bank on an annual basis. Then Bank will adjust the credit rating of a borrower if there are any significant changes in its financial condition or business operations or if there are any other events that may materially and adversely affect its ability to repay the Bank's loans.

Appraisal of Collateral, Pledges and Guarantees

Most of the Group's corporate loans are secured by collateral, pledges or third-party guarantees. For loans secured by collateral, The Bank has formulated internal policies setting forth the types of acceptable and non-acceptable collateral, the procedure of appointing appraisers and the maximum loan-to-value ratios for various types of collateral. The Bank require the mortgagers or pledgers to provide detailed information and supporting documents about the collateral including (i) the name, quantity, quality and address of the collateral, (ii) the certificates of ownership, the evaluation report and other relevant documents about the collateral, (iii) the organizational documents, financial statements, tax certificates and the necessary shareholders' resolutions or board resolutions for corporate mortgagers or pledgers, (iv) the identification documents for individual mortgagers or pledgers and (v) signed declarations about the mortgages or pledges. In particular, the Bank sets upon compulsory requirement to conduct risk management by two employees for cross-checking mechanism, requires relevant employees in charge of credit risk management to make mandatory on-site visit to relevant PRC authorities to verify and/or obtain original due diligence document used for credit risk evaluation.

The Group usually selects third-party appraisers to independently determine the value of the collateral and issue valuation reports. For instance, the Bank's head office and branch and sub-branch formulate lists of cooperative appraising companies respectively based on the authorization amount. The engaged third-party appraisers shall be selected from the lists of cooperative appraising companies. For a case with the amount within authority of a branch or sub-branch, the third-party appraiser will be engaged by relevant branch or sub-branch to prepare appraisal results. However, relevant branch or sub-branch shall submit list of candidate third-party appraiser to the headquarters in advance for filing. For a case with the amount exceeding authority of a branch or sub-branch, the Bank requires the collateral and assessment team of Risk Management Department at the head office level to engage qualified third-party appraiser directly to prepare appraisal results.

The Bank requires its Risk Management Department to randomly select third-party appraisers from the Bank's list of eligible appraisers. Unless otherwise approved by the headquarters, the Bank does not allow its business departments to appoint appraisers on their own, otherwise the valuation reports issued by these ineligible appraisers will not be accepted by the Bank.

To set maximum loan-to-value ratios for different types of collateral, then Bank takes into account various factors including credit risks relating to the loans, valuation of collateral, depreciation of collateral, applicability of collateral and fluctuation of collateral prices. The maximum loan-to-value ratios for the principal types of collateral securing the Bank's corporate loans are as follows:

Type of Collateral	Maximum Loan-to-Value Ratio
Mortgages	
Land use right	50-60%
Regular residential buildings	65%
Projects under construction	40%
Production equipment	40%
Transportation	40%
Pledges	
Cash and cash equivalents	100%
Bank acceptance bills	100%
Commercial acceptance bills	80-100%
Bonds	70-90%
Shares of listed companies	40-60%
Shares of unlisted companies	50%
Receivables	50-80%
Precious metals-gold	80%

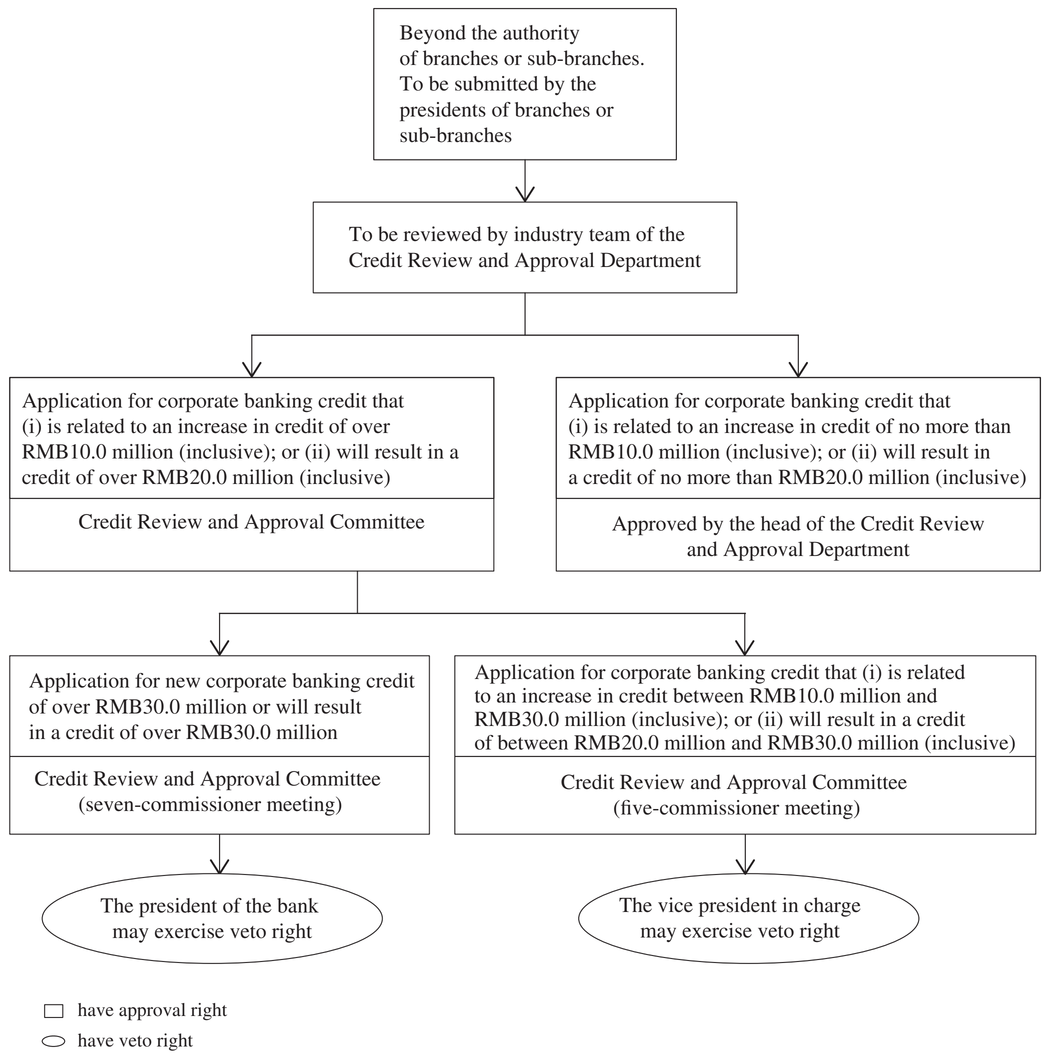
For guaranteed loans, the Bank conducts a comprehensive analysis on the guarantors' background to determine the capacity and reliability of the guarantee. The Bank generally requires that the borrower and guarantor are jointly liable for the Bank's loans. For individual guarantors, the Bank examines their qualification to provide guarantees, credit history, repayment abilities, economic connections with the loan applicant and other relevant factors. For entity guarantors, the Bank generally requires them to have (i) satisfactory operational and financial status and credit rating that meet the Bank's standards, (ii) clean credit records, (iii) strong assets position, and (iv) written authorization for providing the guarantee. The Bank requires its guarantors to strictly follow the legal requirements, such as obtaining the necessary shareholders' resolutions, board resolutions and power of attorney, to ensure the effectiveness of the guarantee agreements and other ancillary agreements.

Credit Review and Approval

The Bank determines the authority of credit review and approval among different institutions within the Bank based on the amount of products to be approved. In addition, to optimize the balance between business development and risk management, the Bank adjusts credit review and approval authority from time to time by taking into various factors, including geographic location of certain branches or sub-branches and nature and specification of relevant collateral.

For application that a branch or sub-branch is permitted to approve, president of that branch or sub-branch is the ultimate person to make approval. The credit review at this level is generally initiated by relevant client manager by entering necessary information into the Bank's electronic credit management system to generate an application report for preliminary review and assessment. Upon completion of preliminary review, the application shall be reviewed by another employee in charge of inspection, who will determine whether the application could be submit to president of relevant branch or sub-branch for final review. The Bank grants president of branch or sub-branch a veto right on applications falls within this category.

For a case with the amount exceeding authority of a branch or sub-branch, applications shall be submit to the headquarters by president of relevant branch or sub-branch through the Bank's electronic credit management system, which will be further delivered to the industry team of the Credit Management Department at the headquarters for review. Upon completion of the preliminary review conducted by the industry team of the Credit Management Department, applications shall go through relevant procedures based on the amount involved. The chart below illustrates the detailed procedures. For details on venue of five-commissioner meetings and seven-commissioner meetings, please see the section headed "– Risk Management Structure – Senior Management and its Special Committees – Credit Review and Approval Committee".



The Group has a uniform standard to determine the risk levels of the credit applications. A credit application is deemed to be low risk if it satisfies all the three conditions below: (i) the security is cash or cash equivalents or the loan is guaranteed by a recognized bank on the Bank's interbank credit list; (ii) the collateral or guarantee is sufficient to fully cover the debt (including the interest and surcharges); and (iii) the collateral or guarantee does not have any legal defects or policy risks. A credit application is deemed to be high risk if it involves any of the following: (i) any product that is required to be approved by the head office according to the relevant government regulations; (ii) any industry or product type that is under strict scrutiny according to the Group's internal credit policies; (iii) any product that has a complex structure or a lengthy maturity; or (iv) other products that the head office deems to be high risk. A credit application that belongs to neither low risk nor high risk categories is deemed to be at the general risk level.

The Group takes into consideration the aforementioned factors in determining the risk levels and then applies an appropriate credit review and approval procedure. The Bank's review and approval procedures may also vary for different applicants based on their credit history, business operations, financing plans, industries, collateral types and the credit amount they apply for.

Loan Disbursement Controls

Execution of Loan Agreements

After the approval of a corporate loan application, the Bank enters into a loan agreement and, if applicable, an agreement of collateral, pledges or guarantees with the borrower and the guarantor based on the Bank's standard forms. Any deviation from the standard forms must be approved by the Bank's Compliance Department.

Verification of Conditions Precedent

The Bank has established a standardized operational procedure for corporate loan disbursement. The Bank's Risk Management Department is responsible for the overall management and monitoring of the Bank's corporate loan disbursement. The Bank's account managers are responsible for handling the post-approval matters including registration of collateral and purchasing insurance of collateral, etc. The Bank requires two persons to independently conduct a review of these post-approval matters. The Bank's disbursement reviewers review the compliance, legality and completeness of the whole set of disbursement documents including the loan agreement, the ancillary agreements, the required evaluation reports, the necessary corporate documents and other relevant materials to ensure that all the conditions precedent specified in the credit approval are satisfied.

Fund Disbursement

Only upon the approval by the disbursement reviewers and authorized approvers, the Bank's relevant branches or sub-branches then commence the loan disbursement in accordance with the Bank's loan disbursement procedures.

Post-disbursement Management

The Bank's post-disbursement management consists of post-disbursement inspection, risk monitoring and alert, maturity and collection management and loan classification.

Post-disbursement Inspection

The Bank conducts initial follow-up inspections, routine inspections and special inspections after the disbursement of the loans. The Bank requires its account managers to conduct initial follow-up inspections within 15 days after the disbursement of the loans to check the use of proceeds and record relevant information to the Bank's credit management system. The Bank requires its account managers to conduct routine inspections on customers with loans classified as normal at least once per quarter, and on customers with loans classified as special mention or below at least once per month. In addition, the Bank may also conduct special inspections on any particular industries, areas, products or customers from time to time.

During the routine post-disbursement inspections, the Bank checks its customers' information, including but not limited to therein (i) basic corporate information including their certificates, timeliness of financial statement filings, industry developments, shareholding structure, management changes, loans with other banks, material financial disputes and material non-compliance incidents, (ii) use of proceeds, (iii) operational status (iv) financial condition including financial statements, financing structures and financial ratios, (v) actual controlling persons and the related parties (vi) project progress (for fixed asset loans), (vii) settlement volume and deposit level with the Bank's bank, (viii) credit status with other banks, (ix) status of guarantees including the financial status of the guarantors and the validity of the guarantee agreement, (x) status of the collateral including the ownership, valuation and physical status of the collateral and (xi) industry developments including changes in supply and demand dynamics, changes in laws, regulations and policies and negative news.

In addition to on-site inspections, the Bank also carries out off-site monitoring by analyzing information from the PBoC's Credit Reference System, the CBRC Customer Information Reporting System and the Bank's own risk alert management system leveraging the information from 3rd party source including the Internet and media. These resources provide useful information about the credit ratings or operational status about the Bank's customers. If the Bank identifies any problems, such as material adverse changes in the customers' financial condition, the misappropriation of the loan proceeds or the devaluation of the collateral, the Bank will take corresponding measures including without limitation requiring the borrowers to increase or replace the collateral and accelerate the loans.

Risk Monitoring and Alert

The Bank conducts regular post-disbursement review on quality of loans covering factors of different nature, including financial indicators, account behavior, nature of relevant industry, legal compliance, regulatory environment, credit rating and sufficiency of guarantee. Upon identifying factors that may negatively affect business operations of the borrower, the Bank will take immediate action based on seriousness of relevant factors, where the Bank sets out four levels of risk indicator, namely, A, B, C and D levels, with A level indicating the most serious incident. In addition, the Bank has established a two-level alert signal mechanism covering all of its loan products, where a red alert will be issued upon locating an A level risk indicator, while a yellow alert will be issued for B, C or D level risk indicators.

- Red alert refers to extremely urgent or material negative situation, including material and negative development of the borrowers' financial situation, operating conditions, industry environment and credit status, which make it very likely for relevant borrower become delinquent in making repayment, resulting in material damage to the Bank's assets. The Bank must take immediate loss control measures followed by other measures designed to deal with this type of crisis.

- Yellow alert indicates that there is a negative development in relevant borrower's financial condition, operation results, regulatory environment, credit rating or other factors, which present a negative impact to relevant borrower's capacity to make repayment. The Bank shall conduct timely investigation on underlying reasons causing such risks and actual situation of relevant borrower, so that it could take appropriate actions. In addition, the Bank will put follow customers under management for yellow alert situation: (i) customers with risks sufficient to be labeled with certain risk indicator but the Bank has not yet determined to issue an alert yet; and (ii) customer to whom an alert has just been removed but has not yet passed observation period following such removal.

If the employees at the Bank's business departments or risk management departments discover any risk incidents during their on-site inspections or off-site analysis of information, they may initiate the risk alerts by reporting to the heads of their departments and recording the relevant information in the Bank's system.

Unless the risk alerts are found to be inaccurate, the Bank requires the issues underlying these risk alerts to be fully resolved before the risk alerts can be dismissed, otherwise the relevant businesses will be restricted based on their risk levels. The Bank has established a detailed procedure setting forth the reporting and approval requirements for dismissal of the risk alerts.

Maturity and Collection Management

The Bank's account managers are responsible to remind the borrowers of timely payment of interest through phone, messages or letters before the due dates of the loans. Prior to the due date of short term loans and medium and long term loans, the Bank requires the originating business departments to analyze the status of each of the loans and make corresponding collection plans.

For overdue loans, the Bank requires the Bank's account managers to send written reminders to the default customers and guarantors, if any, within three days after the due date and at least once a month afterwards until all the past due principals and interest are paid in full. If the Bank does not receive any receipts of the written reminders, it may collect the payment in person, serve notarized notices or file lawsuits, as appropriate, to toll the statute of limitation. For customers that wish to repay the loans before the due date, the Bank requires these customers to submit applications to the Bank's Accounting Department and other relevant departments.

Loan Classification

Loan classification is an important part of the Bank's ongoing loan monitoring. For risk management purposes, based on the CBRC five-level loan classification (normal, special mention, substandard, doubtful and loss), the Bank divides its credit assets into five level and 12 sub-categories, including four under "normal", three under "special mention", two under "substandard", two under "doubtful" and one under "loss", and considers the loans classified below "special mention" as NPLs. The factors the Bank considers in classifying its loans include but not limited to the repayment ability, records and willingness of the borrowers, the profitability of the underlying projects, the collateral of the loans, the default period of the loans and the legal liabilities of parties in relation to the repayment of the loans.

The Bank's 12 sub-category loan classification represents its prudent and delicate post-disbursement management principles and enables it to identify potential credit risk factors in a clearer and more accurate manner. The Bank's twelve sub-category loan classification helps raise the Bank's attention and improve the Bank's management capacity on problematic loans.

The Bank's electronic system conducts a preliminary classification for corporate loans based on the data input by the business department staff. The system will submit the results to the competent authorized approvers automatically for final confirmation. The Bank's head office has the authority to adjust the classification.

The Bank closely monitors the quality of loans and may reclassify its corporate loans based on result of routine checking and ad hoc inspection. Any upgrade among the five levels must be submitted to the Risk Management Department in head office for final approval. The Risk Management Department at the head office has the authorization to downgrade the classification from "normal" or "special mention" to NPLs. The Branches and sub-branches have the authorization to downgrade the classification from "normal" to "special mention", from "substandard" to "doubtful" and from "doubtful" to "loss" according to the Bank's relevant internal measures.

Non-performing Assets Management

The Bank's Risk Management Department, Asset Preservation Department closely monitors the assets of the debtors and the status of the collateral to prevent fraudulent transfers. Based on the balance of the non-performing assets and the status of the underlying projects, the Bank's Risk Management Department, Asset Preservation Department assigns each non-performing asset to a liquidation group, which compromise at least two employees, who shall conduct collection against relevant counter party at least once a month.

Based on the specific circumstances of the debtors, the Bank formulates tailored restructuring plans or disposal measures for these non-performing assets. The Bank seeks to recover non-performing assets through multiple means including debt reduction or waiver, debt restructuring, assignment of creditor's rights, payment in kind and legal proceedings. The Bank may also write off qualified non-performing assets according to relevant requirements.

- *Debt reduction or waiver*. The Bank may reduce or waive the default debtor's obligation to repay the principal, interest or penalties if the debtor, its guarantor or any other third party agrees to repay the obligation in cash or quality assets in a timely manner. Such reduction or waiver of debt obligation must be approved by the Asset Preservation Committee, the president or the Board of Directors.

- *Debt restructuring*. Based on the debtor's repayment ability, the Bank may restructure the debt by modifying certain loan terms, such as extending the maturity, reducing or waiving the interest, replacing the debtor and changing the collateral or guarantors. If the debt is assumed by a new debtor, the Bank generally requires the new debtor to have more stable cash flow and stronger risk bearing ability than the existing debtor. For changing of the collateral or guarantor, the Bank generally requires the new collateral to have more liquidity value than the existing collateral, and require the new guarantor has stronger repayment ability than the existing guarantor. All the debt restructuring must be approved by Asset Preservation Committee first and then apply for approval from authorized approvers, credit approval departments or credit approval committees depending on their authorization, in accordance with the Bank's credit approval procedures. The Bank strictly follows these procedures and carefully control new credit extension in the debt restructuring.

- *Assignment of the creditor's rights*. The Bank may partially or fully assign its creditor's rights under the agreements in connection with the non-performing assets to third parties. Before the assignment of the creditor's rights, the Bank is required to conduct due diligence on the operation, repayment ability and collateral status of the debtor, and to use a professional asset appraisal company meeting the Bank's qualification requirements to evaluate the base price of the assets to be transferred. The Bank usually assigns its creditor's rights for non-performing assets by (i) tender, (ii) bidding and (iii) public auction, etc., according to the regulations of the MOF and the CBRC.

- *Payment in kind*. The Bank may accept debtor's repayment in kind, such as ownership or other rights in connection with land and real properties, if they are unable to pay mature debts in cash.

- *Legal proceedings*. The Bank may initiate legal proceedings or arbitration, or apply for attachment or compulsory execution orders to collect debts.

- *Write-off*. The Bank may also write off qualified non-performing assets according to relevant requirements.

Portfolio Management

The Group has established policies about credit risk management for certain key risk areas including LGFVs, the real estate industry and industries with overcapacity.

Credit Risk Management for Loans to LGFVs

Pursuant to the *Group's Measures on Loans to LGFVs (政府融資平台貸款管理辦法)*. The Group imposes strict control on credit extension to LGFVs, by limiting the total amount of credit for LGFVs and adopting the following measures:

- The Group can only extend credit to government institutional customers that are in good operating status.

- The Group prioritizes its support on significant construction projects, such as large-scale infrastructure construction projects and public service project with stable demands, stable cash flows, flexible pricing mechanism and high marketization.

- The Group prefers the land and buildings as collateral or third party guarantees in its financing plans. For projects that rely on governmental purchase or governmental spending, the Group requires the financing projects to possess all required approvals and require the government to provide relevant financing in their budge according to legal procedures.

The Group monitors the status of the underlying projects and the cash flows generated by such projects and analyzes the statistics relating to the Group's credit extension to LGFVs.

The CBRC requires all PRC banks to classify their loans to LGFVs based on the cash flow coverage ratio, which is calculated as a borrower's cash flow divided by its loan principal and interest payable. The following table sets forth the cash flow coverage status of the Bank's loans to LGFVs as of December 31, 2017:

Cash flow coverage status	As a percentage of total loans to LGFVs as of December 31, 2017(5)
Fully covered(1)	100%
Basically covered(2)	–
Half covered(3)	–
Not covered(4)	–
Total	100%

Notes:

(1) "Fully covered" means that a borrower has sufficient cash flow to repay 100% or more of its loan principal and interest payable.

(2) "Basically covered" means that a borrower has sufficient cash flow to repay 70% to 100% of its loan principal and interest payable.

(3) "Half covered" means that a borrower has sufficient cash flow to repay 30% to 70% of its loan principal and interest payable.

(4) "Not covered" means that a borrower has sufficient cash flow to repay less than 30% of its loan principal and interest payable.

(5) The percentages are shown as rounded figures.

As of December 31, 2017, the cash flow of the Group's LGFVs borrowers was sufficient to cover 100% of the principal and the interests incurred.

As of December 31, 2017, none of the Group's total loans granted to the LGFVs were extended to entities at the provincial level, among which 77.69% were at the prefectural level and 22.31% were at lower level administrative divisions. These loans are distributed to four industries, accounting for 49.74%, 35.29%, 12.13% and 2.84%, respectively, of the Group's total loans to LGFVs.

As of December 31, 2015, 2016, 2017, the balance of loans the Group granted to the LGFVs was RMB3.3 billion, RMB2.6 billion and RMB2.5 billion, accounting for 5.3%, 3.3% and 3.9% of the balance of the Bank's corporate loans and 1.6%, 0.8% and 0.7% of the Bank's total assets, respectively.

As of December 31, 2017, none of the Group's loans to the LGFVs was classified as non-performing.

Credit Risk Management for Loans to Real Estate Industries

The Bank adopts a "customer list" management method for its credit risk management in the real estate industry and only extends credit to real estate developers on the Bank's customer list. To select customers for the real estate customer list, the Bank carefully reviews their profiles, business qualifications, credit rating, operation experience, sales performance and financial conditions. The Bank prioritizes its support to famous nationwide or leading regional real estate developers and prudently supports new or small-scaled real estate developers. The Bank also considers the geographic locations and types of the projects and provides suitable financial products to different customers.

The Bank strictly follows *Jiangxi Bank Measures on Real Estate Development Enterprise List* (《江西銀行房地產開發企業名單制管理辦法》), *Jiangxi Bank Measures on Real Estate Development Loans* (《江西銀行房地產開發貸款管理辦法》) to execute real estate credit policies, according to which, the Bank refuses to grant loans to the real estate projects at county level, pure commercial real estate development projects, or comprehensive real estate development projects with a significant portion being commercial real estate projects.

As of December 31, 2017, the Bank's loans for the real estate industry amounted to RMB7,893.7 million, representing 9.6% of the Bank's corporate loans. As of December 31, 2017, 0.17% of the Bank's loans to the real estate industry was classified as non-performing.

Credit Risk Management for Loans to Industries with Overcapacity

The State Council, the CBRC and the Jiangxi Government have promulgated policies to restrict loans to industries with overcapacity and publish a list of overcapacity industries regularly. In accordance with these policies, the Group strives to reduce its risk exposure to these industries and prohibit all forms of new credit extensions to the entities or projects not in compliance with national industrial policies and market entry conditions.

The Group imposes credit limits for loans to industries with overcapacity, such as the steel and coal industries, and the Group will continue to manage and control the loans to these industries. The Group will restrict new credit extension to businesses in these industries unless such businesses are industry leaders, are in compliance with national industry policies, have clear competitive advantages, meet current environmental protection standards and utilize industry leading technologies.

The Group closely monitors the status of the borrowers in industries with overcapacity. The Group demands repayment when loans are due, or demand early repayment in accordance with the Group's loan agreements if there is a breach of covenants or undertakings by such borrowers. As of December 31, 2017, the balance of the Group's loans to enterprises in industries with overcapacity was RMB1,106.9 million, among which, RMB975.9 million were classified as "normal".

Credit Concentration Management

The Group focuses on developing business relationships with strategic customers, mostly large enterprises in Jiangxi Province. In order to control the credit concentration risks arising from the expansion of the Group's credit businesses, the Group has imposed credit limits on the Group's corporate banking customers. Loans to corporate borrowers within the same group will be calculated in aggregate when determining whether loan amounts exceed such credit limits. The Group adjusts these credit limits based on national and local laws and regulations, as well as the Bank's credit policies.

Credit Risk Management for Personal Loans

The Group's credit risk management procedures for its personal loans include pre-loan investigations, credit review and approval, loan disbursement management and post-disbursement management.

Pre-loan Investigations

For personal loan applications, the Group will conduct due diligence on applicants through on-site verification or telephone enquiry to verify the borrowers' true identification, occupation and credit status. The Group requires individual applicants to provide information about their personal financial condition, such as their address proof, occupations, source of income, debt status and credit records, and to specify their intended use of proceeds. The Group also investigate credit record of application based on information collected from internal sources, the PBoC or other third-party credit assessment entities. Furthermore, for applications for personal loan over RMB3.0 million without sufficient credit record, the Bank investigators may conduct interview to borrowers' employer or business partner to further check borrowers' credit situation, unless relevant loans have been determined to have low risk. The Group generally designates two account managers to review the supporting documents and verify the information provided by the applicants. The Group also requires these account managers to conduct interviews in person with the applicants.

For personal loans secured by collateral and pledges, the Group usually designates a third-party appraiser to verify the value of the collateral and pledges. For guaranteed personal loans, the Group also investigates the guarantors' background and credit history.

Credit Review and Approval

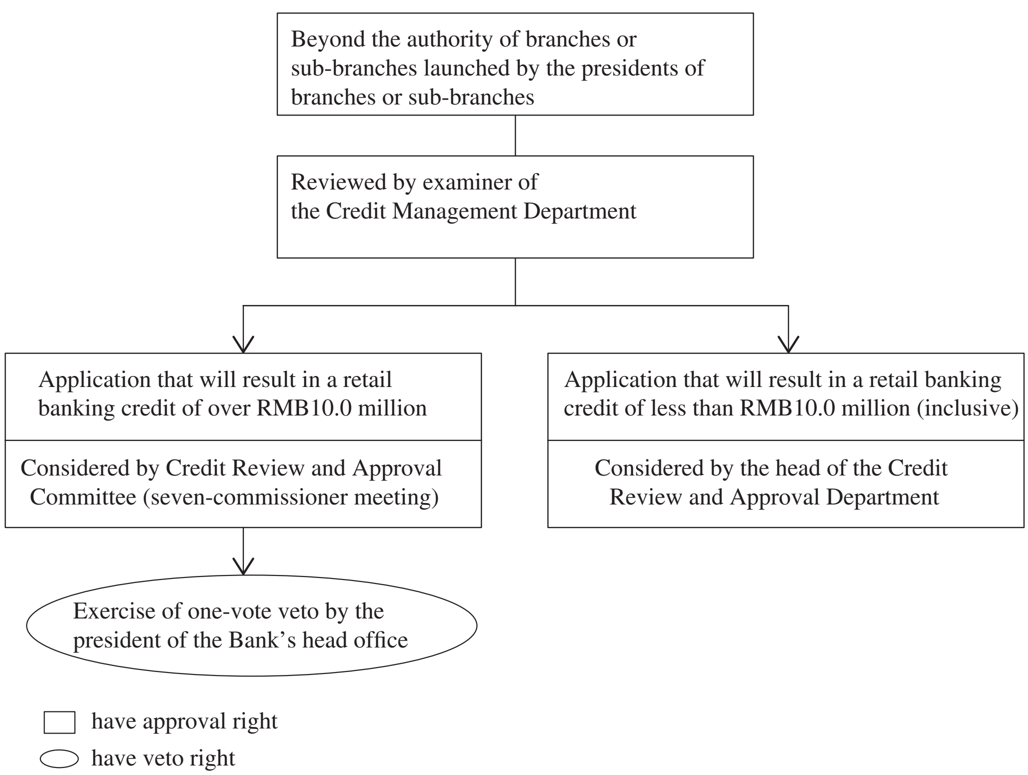
The Group determines authority of credit review and approval among different institutions within the Bank based on the amount of products to be approved. The Group routinely adjusts detailed standards on authorization structure based on its business status changes in various elements in different local markets, geographic location of certain branches or sub-branches and nature and specification of relevant collateral.

Credit Approval at the Branch or Sub-branch Level

For application within its authority, president of that branch or sub-branch is the ultimate person to make approval. The credit review at this level is generally initiated by relevant client manager by entering necessary information into the Group's electronic credit management system to generate an application report for preliminary review and assessment by manager in charge of personal loan products. Upon completion of preliminary review, the application shall be reviewed by employee in risk management department and vice president in charge of risk management work, where applicable, prior to final review by president of relevant branch or sub-branch.

Credit Approval at the Head Office Level

For a case with the amount exceeding authority of a branch or sub-branch, applications shall be submitted to the headquarters by president of relevant branch or sub-branch through the Bank's electronic credit management system, which will be further delivered to a specific examiner of the Credit Management Department, where applicable, at the headquarters for review. Upon completion of the preliminary review conducted by the Credit Management Department, applications shall go through relevant procedures based on the amount involved. The chart below illustrates the detailed procedures. For details on venue of seven-commissioner meetings, please see the section headed "– Risk Management Structure – Senior Management and its Special Committees – Credit Review and Approval Committee."



Loan Disbursement

The disbursement procedure for personal loans is generally similar to that for the Group's corporate loans. Upon the approval of a personal loan application, the Group enters into a loan agreement and other ancillary agreements with the borrowers, setting forth the key terms of the loan and, where applicable, the collateral and guarantees. The Group disburses the funds to personal customers only upon the satisfaction of all the conditions precedent specified in the credit approval and the agreements.

Post-disbursement Management

The Group conducts initial follow-up inspections within 15 days after the disbursement of the loans, and also conducts routine inspections and special inspections. The Group requires the originating business departments to conduct initial inspections after the loan disbursement to check the use of proceeds and its risk management departments to conduct selective examinations for the documentations relating to the use of proceeds.

The Group's inspection requirements vary based on the types and the classification of the loans. For personal consumption loans, the Group's routine inspection task generates when the borrowers fail to pay the principal and interest, and the Group's inspections comprise telephone interviews and on-site inspections, which are required for customers who have lost contact from the Group and for the loans that are classified as special mention or below. For personal business loan, the Group requires routine inspection on month, quarter or semi-year basis based on the risk management evaluation.

For instance, the Group requires quarterly on-site inspections for any single borrower with a personal business loan of RMB5.0 million or above. The Group also selects a sample of at least 20% of the personal business loans that are representative of different types of customers and conduct quarterly inspections. The Group also conducts monthly inspections on personal business loans that are classified as special mention or below. For residential and commercial mortgage loans, in addition to monitoring the change of the borrowers' repayment abilities, the Group focuses on inspecting the operations and financial condition of the relevant real estate developers, as well as the status of their projects. For automobile loans, in addition to monitoring the change of the borrowers' repayment abilities, the Group focuses on inspecting the operational status of the automobile brokers and commercial vehicle operators. The Group also inspects the loan guarantors and the Group's business partners that provide ancillary services for the Group's personal loan business. In addition, the Group may conduct special inspections on any particular industries, areas, products or customers from time to time.

The Group's risk monitoring and alert, loan classification, maturity and collection management and non-performing assets management for personal loans are generally similar to that for its corporate loans.

Credit Risk Management for Off-Balance Sheet Businesses

The Group strictly reviews the business background of off-balance sheet transactions and verifies the authenticity of the documentations. The Group also requires strict compliance with the Bank's internal procedures so as to ensure that the deposit amounts, the margin ratios and the guarantee measures meet its requirements.

In respect of managing its bill discounting business, the Group has implemented internal policies to separate the operation of the front office from the middle and back offices. The Group assigns persons from different departments to work together in a single transaction to split the authorities in relation to transaction approval and bills inventory management. The Group requires its account managers to review supporting documents to verify the truthfulness of the underlying transactions before submitting bill discounting applications through its credit extension management system.

The Group reviews the applications, verify the authenticity of the bills, check the credit records of the banks and third-party bill agents (if applicable) involved in the transactions, and approve the bill discounting applications if all the conditions set out in the Group's internal procedures are met. The Group disburses the funds upon the approval from Accounting Operation Department. The Group's Accounting Operation Department classifies the discounted bills based on their repayment status and prior to their maturity, dispatches the bills to the acceptance banks and requests payment.

From time to time, the Bank's Accounting Operation Department compare data collected from business departments and the auditing system and check their consistency with the Group's physical bill inventory record. The Group makes routine and random inspections on physical bills to ensure the Bank's bills inventory management is in strict compliance with its relevant risk management measures. The Bank requires all of its branches and business departments to conduct periodic self-inspections, to maintain all transactional records, and to report to the head office upon any loss, damage or non-compliant use of the documentations.

Related Party Credit Risk Management

In order to control the risks arising from Related Party Transactions and ensure the compliance of relevant laws and regulations, the Group has specified in its Articles of Association and internal policies the standards of identifying Related Parties, the review and approval procedures for Related Party Transactions and the reporting and registration requirements for such transactions. The Group vigorously implements these internal procedures throughout the entire Bank to identify all business relationships between the Related Parties and the Group and to maintain centralized monitoring and management of the Related Party Transactions. According to the Group's internal policies, none of the Bank's Related Party credit extensions shall involve any conflict of interest. The pricing of the Related Party Transactions shall be objective and fair without prejudice to the interests of the Group and the Bank's independent shareholders. If the Group extends loans to its Related Parties, the interest rates shall be consistent with the market rates and the terms of the loans shall not be more favorable than those for other independent borrowers of the same type during the same period. The Group continues to optimize its Related Party credit investigation and review and approval processes in order to further reduce the credit risks in relation to the Bank's Shareholders and Related Parties.

Credit Risk Management for Credit Card Business

The Group's Credit Card Center formulates the Group's credit card extension policies following the requirements relating to credit risk management promulgated by the Bank, and makes timely adjustment according to the macroeconomic condition and the Group's business development strategies. Based on the profiles of the Group's credit card customers, the Group has set differentiated eligibility criteria, credit policies, approval procedures and credit limits. The Group conducts credit evaluation for its credit card applicants. The factors the Group considers during the credit evaluation include the basic information, the financial condition, the employment status, the income and the repayment ability, among others, of the applicants. The Group's Credit Card Center and relevant branches and sub-branches have designated staff for management of credit card debt collection. The Group collects 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 the Group's Financial Markets Business

Credit Risk Management for Money Market Transactions

The Group imposes an aggregate credit exposure limit to each domestic bank and non-bank financial institutions that it interacts with. The Bank's Credit Review and Approval Committee reviews and approves each credit line to the Bank's interbank customers. The Group conducts regular evaluation on its interbank customers' capital strength, business operations, financial condition, compliance with regulatory indicators, proposed cooperation with other parties, risk events and other external factors that could affect their ability to honor their contractual obligations. The regular evaluation on its customers enables it to identify potential risk alert signals and adjust their credit limits in a timely manner. Meanwhile, the Group also maintains strict eligibility criteria for its counterparties. The Group only cooperates with counterparties with solid qualification, good reputation and sound performance track record.

Credit Risk Management for Investments in Standard Investment Products and Non-standard Credit Assets

The Group has implemented a variety of specific risk management measures to control credit risks associated with its investments in different types of products.

Investments in Standard Investment Products

The Group applies the principle of prudence in managing the credit risks arising from the Group's investments in standard investment products, primarily debt securities. To limit the Group's credit risk exposure, the Group focuses on PRC government bonds and other low-risk debt securities issued by PRC policy banks or large financial institutions. For debt securities issued by enterprises, the Bank applies a stringent credit review and approval procedure similar to that for high-risk loans. The Bank's Financial Markets Department at the Bank's head office reviews and approves the debt securities investment within the scope of authorization. The investment out of such scope of authorization must be reviewed and approved by the Credit Approval Committee at the Bank's head office. The Group requires the credit ratings for both the issuers and the debt securities to be AA or above. The Group's investment in debt securities issued by any single customer is subject to the group credit limit the Group sets for this customer. The Group also conducts regular reevaluation on the credit risks of the invested bonds to monitor their impact on the Bank's capital adequacy, liquidity and the maturity structure of the Group's assets and liability.

Investments in Non-standard Credit Assets

The Group has established a comprehensive risk management system for the Group's investments in Non-standard Credit Assets, which include trust plans, asset management plans and wealth management products issued by other PRC banks. The Group has adopted the following measures to manage the credit risks relating to the Group's investment business.

- *Counterparty Management*. The Group maintained a list of approved banks and financial institutions, which is subject to regular review and update, pursuant to various rules and policies of the Bank, including *Jiangxi Bank Group Interbank Business Counterparty Access Management Practices* (《江西銀行集團同業業務交易對手准入管理操作規程》) and *Jiangxi Bank Group Credit Management Measures on Financial Institutions* (《江西銀行集團境內金融機構授信管理辦法》). In determining screening qualified banks and financial institutions, the Group conducts comprehensive evaluation on a broad range of factors, including assets, qualifications and credit record. The Group also determines a group-wide credit limit for counterparties based on its credit assessment, which applies to such counterparty's business with any entity with the Group.

- *Due Diligence*. The Group requires its business departments to review the due diligence investigations conducted by the counterparties on the financing parties and the underlying projects or assets prior to the investment. The Bank's Compliance Departments will review the relevant contracts and other legal documents to make sure that the Group's interest under the proposed investments is protected.

- *Review and Approval*. Investing in Non-standard Credit Assets shall be proved by investment decision committee, comprising members from Credit Management Department, Risk Management Department, Compliance Department, Financial Planning Department, Investment Bank Department, Corporate Banking Department, Retail Banking Department and Financial Markets Department. The Group conducts credit review and concentration risk evaluation in relation to this type of products in the same way as it does for other types of products, so that the Group has a centralized control on relevant risks. If the source of funds used in investment is from the wealth management products issued by the Group, the Group requests such investment to obtain approval from Investment Business Committee.

It also requires an approval of unified credit before making investments in Non-standard Credit Assets.

- *Inspections and Monitoring*. The Group requires the originating business departments to conduct initial inspections within 15 days after the fund disbursement and check whether the flow of funds is consistent with the specified use of proceeds. The Group also requires its originating business departments to conduct regular inspections at least once per quarter on the financing entities. For entities that are on the Group's monitoring list, which usually include those who have defaulted or whose affiliates have defaulted, the Group conducts regular inspections at least once per month. the Bank's originating business departments inspect the financing entities' operational status, financial condition, project progress and collateral ownership and submit quarterly monitoring reports on post-disbursement management to the Bank's Risk Management Department. The Group's Risk Management Department may conduct special inspections on any particular industry, region, product or financing entity if it deems necessary. The Group actively monitors the financial indicators of these financing entities and issue risk warnings if any material adverse event is discovered.

- *Classification*. The Group classifies its financial assets based on the same standards applicable to the Group's corporate loans. For details, please see "Risk Management – Credit Risk Management for Corporate Loans – Post-disbursement Management – Loan Classification".

- *Record Keeping*. The Group requires its business departments to keep accounting records for investments in Non-standard Credit Assets in accordance with its internal policy.

In addition, the Group also has implemented certain specific risk management measures for the investments in different types of financial assets.

- *Trust Plans*. Before investing in trust plans, the Group conducts due diligence on the trust companies, the financing parties and the underlying projects, and carefully study the laws, regulations and government policies that may affect the value of the trust products. The Group analyzes fluctuations in market interest rate and the expected return of the financing projects, and selects the trust fund plans with manageable risks and growth prospects. After the investment, the Group proactively monitors the operation and financial condition of the financing parties and carries out regular inspections on the underlying projects. The trust companies also have the contractual obligations to effectively manage their trust plans. If the trust companies identify any risks that would adversely affect the Group's investments in their trust fund plans, they are required to notify the Group immediately and take actions to reduce the relevant risks.

According to relevant agreements, the financing parties or third parties are generally required to provide guarantees for the principal and expected yields under the trust plans by collateral, pledges or guarantees. According to the Group's contracts with the trust companies, in the event that the trust companies are unable to fully recover the principal and the expected yields from the financing parties, the Group may demand the trust companies to enforce their rights under mortgages, pledges or guarantees. The Group requires the funds under the trust plans to be placed in a separate account in the Group's or third-party banks to ensure segregation from assets of trust companies or other trust plans. The Group also requires the transfer of funds to be made and monitored by the Group's or third-party banks.

- *Asset Management Plans*. Before entering into transactions with the asset management companies, the securities companies or other financial institutions issuing asset management plans, the Group performs a comprehensive risk assessment on their total assets, net assets and capability to perform the contracts. The Group cooperates with financial institutions that have an established system of risk control, internal audit, accounting management and human resource so that the underlying assets are under capable management. The Group requires the funds under the assets management plans to be placed at and supervised by third party custodian banks to ensure segregation from the financial institutions' own assets. The Group also requires the transfer of funds to be made and monitored by the custodian banks. Based on the Group's risk appetite, the Group sets investment objectives for each of the Group's asset management plans.

- *Wealth Management Products Issued by Other PRC Commercial Banks*. Prior to making investment in wealth management products issued by other PRC commercial banks, the Group assesses the risks associated with such wealth management products by reviewing various factors, including the credit history of the issuing financial institutions and the portfolio investments underlying the wealth management products. The Group generally invests in wealth management products issued by commercial banks with relatively sound asset management capabilities and require the issuing banks to clearly set out the use of proceeds in the Group's investment agreements. The Group's investments in wealth management products issued by other financial institutions are subject to the centralized credit approval.

  For the Group's investment in non-principal protected wealth management products, the Group requires the issuing banks to provide the Group with information concerning the scope of their investments utilizing the Group's funds or a list of assets invested by the issuers for the Group's review. The Group explicitly prohibits issuing financial institutions from using proceeds of such wealth management products in any manner against relevant laws and the Group's internal policies. For instance, the Group does not allow the Group's funds for non-principal protected wealth management products to be used for investing in stocks or debt products that fail to meet the Group's requisite rating. The Group may take legal actions to protect the Group's interest if these counterparties fail to perform such contractual obligations.

Investments in Investment Funds

The Group invests in investment funds, which in turn invest in securities, deposits and other financial assets issued by the enterprises. All the investment funds the Group invests in are regulated by the CSRC and other regulatory agencies. The Group only invests in funds with required qualifications, abundant experience, solid track record and good industry reputation. The Group has adopted the following measures to manage the risks relating to investments in investment funds.

- The Group's integrated risk management system covers the Group's investments in investment funds. The approval and risk management for the Group's fund investments are centrally managed by the Group's head office.

- The Group requires its business departments to get sufficient understanding of the fund management companies' operational condition, historical record, investment scope and investment strategy. The Group's risk control team reviews and evaluates the investment plans, and submit to the authorized approvers for review and approval pursuant to the Group's authorization management policies.

- The Group has established a periodic communication mechanism and adjusts its fund allocation based on the Group's operations.

Credit Risk Management for Asset Management

The Group issues wealth management products to its corporate banking, retail banking and interbank customers and invest the proceeds from such wealth management products in Standard Investment Products and Non-standard Credit Assets. Credit risks may arise from the Group's asset management business. The Group strengthens its credit risk management by conducting various market analyses, identifying suitable investment targets, setting credit limits for the Group's counterparties, performing pre-investment due diligence investigations and strictly controlling the proceeds received from the issuance of the Group's wealth management products. The Group strives to enhance its post-investment risk management to closely monitor the mismatch between the maturities of the financial products the Group sold and that of the underlying credit assets. The Group has incorporated wealth management business into the Group's consolidated liquidity risk management system. The Group also strives to reduce its liquidity risk by allocating more funds to high liquidity assets, prudently planning the issuance of its wealth management products and timely adjusting the Group's products and investment portfolio.

To ensure compliance with the CBRC requirements relating to segregation of accounts, risk isolation, regulated conduct and unified management as set forth in the Notice on the Relevant Issues Concerning Improving the Management Organizational Structure of the Banks' Wealth Management Business (《關於完善銀行理財業務組織管理體系有關事項的通知》) (CBRC Order [2014] No. 35), the Group has established the Assets Management Department as a specialized management department and established a separate bookkeeping and accounting system for wealth management products. In order to maintain centralized management, The Group has also established an assets management system for daily management of the Group's wealth management products. The Group has implemented relevant internal policies to ensure accurate accounting recording and adequate disclosures to investors regarding the underlying assets of the wealth management products issued by the Group.

According to the Measures for the Administration of the Sale of Wealth Management Products of Commercial Banks (《商業銀行理財產品銷售管理辦法》) (CBRC Order [2011] No. 5) issued by the CBRC in 2011, the Group classifies the wealth management products it issued into five categories based on their risk levels: Level 1 refers to extremely low risk; level 2 refers to low risk; level 3 refers to medium risk; level 4 refers to comparatively high risk; and level 5 refers to high risk. The Group correlates the risk levels of the Group's wealth management products to the risk tolerance level of customers. The Group's customers can buy wealth management products through the Group's counters, customer relationship managers, self-service banking facilities or internet finance. The Group has formulated internal policies and procedures on the sales and marketing of the Group's wealth management products to ensure the risk levels of wealth management products purchased by customers matched their own individual risk tolerance. The Group conducts a customer suitability assessment before a customer purchases or commits themselves to any wealth management products from it. The Group's customers can only purchase the wealth management products within their risk tolerance level and the Group generally reassesses each customer's risk tolerance on an annual basis.

Information Technology System for Credit Risk Management

The Group is committed to improving its credit risk management with advanced information technology systems. The Group is constantly optimizing and upgrading the credit rating module, credit approval module, loan disbursement module, post-disbursement management module and collateral and pledge management module of this system so that various facets of the Group's credit risk management will be integrated. The Group's information technology system for credit risk management will ultimately cover all the steps throughout the credit extension process and post-disbursement management.

MARKET RISK MANAGEMENT

Market risk is the risk of losses to the Group's on- and off-balance sheet businesses arising from movements in the market prices. The Bank is exposed to market risks primarily through the assets and liabilities on the Group's balance sheet and the commitments and guarantees off the Bank's balance sheet. The major types of market risks the Group is exposed to include interest rate risk and exchange rate risk. The goal of the Group's market risk management is to control the market risk to a tolerable level and to maximize the risk-adjusted returns based on the Group's risk appetite.

The Group has established a three-tier market risk management system covering the Bank's Board of Directors, senior management, and business departments including the Bank's Risk Management Department, Financial Planning Department and Financial Markets Department. The Bank's Board of Directors is ultimately responsible for the Group's market risk management. The Bank's senior management is responsible for formulating, reviewing and supervising the implementation of market risk management strategies, policies and procedures, and monitoring the Group's market risk level and management status. The Bank's Planning and Finance Department, Financial Markets Department are responsible for implementing the Bank's market risk management measures through their daily business operations, while the Bank's Risk Management Department is responsible for identifying, measuring, supervising, and controlling the Group's market risk.

The Group's market risk management practices consist of the identification, measuring, monitoring and control of market risk. The Group primarily employs gap analysis, duration analysis, stress test and scenario analysis in measuring and monitoring market risk. The Group also sets authorized limits for the Group's products based on the Group's market risk appetite, market risk tolerance level, business strategies as well as characteristics of specific products. The Group adopts different quantitative measures to manage various types of market risks in both the Group's banking and trading books.

Interest Rate Risk

Interest rate risk arises primarily from fluctuations in the prevailing interest rates, as well as the mismatch in the re-pricing dates or maturity dates of the Group's interest rate-sensitive on-and off-balance sheet assets and liabilities, which may result in reduction in the Bank's net interest income and the value of the Group's assets. The PRC Government has gradually liberalized interest rates in China in recent years. Since July 20, 2013, commercial banks have been allowed to set interest rates for RMB-denominated loans (except for commercial residential housing loans) at their own discretion. Since October 24, 2015, commercial banks have been allowed to set interest rates for RMB-denominated deposits at their own discretion. As a result of the liberalization of interest rates, the fluctuation of the interest rates has gradually changed from policy-oriented to market-oriented, and therefore subject to more uncertainties.

Impact on Deposits and Loans

The interest rate variations on the Group's deposits and loans mainly impact the Group's interest rate spread and the value of the Bank's loans. As interest rate spread is the Group's main source of operating profits, the adjustment of the benchmark deposit and loan rates by the PBoC and the resulting change of market interest rates will affect the Group's revenue structure and profitability. In particular, in respect of the Group's fixed interest rate businesses, changes in interest rates may cause the Group's customers to alter their behaviors. When the interest rate increases, the Group's deposit customers may early withdraw their deposits and re-deposit them to get a higher savings rate, which will increase the Group's interest expenses. When the interest rate decreases, the Group's loan customers may early repay their loans and re-apply for new loans with a lower interest rate, which will lower the Group's interest income.

Impact on Bonds and Non-standard Credit Assets

The fluctuation of market prices of bonds and financial assets is correlated to changes in benchmark interest rates and market expectations of future interest rates. The market trend in the last few years indicated that valuation of bonds and Non-standard Credit Assets tend to fall when investors expect the benchmark interest rates or market interest rates to increase. As a result, an increase in interest rate may result in a decrease in the valuation of the Group's existing assets and the Group's profitability. On the other hand, an increase in interest rate may also lead to tighter liquidity, which may in turn drive up the cost of investing in bonds and Non-standard Credit Assets. Given the uncertainties about changes in future market interest rates, there is a risk that the value of the Group's investments may decrease due to the Group's misjudgment in making investment decisions according to the Group's expectations on the future market interest rates.

Interest Rate Risk Management

The Group has implemented uniform interest rate management policies that allow the Group to stringently control the authority of interest rate management. The Group has adopted the following measures to manage the Group's interest rate risk.

Enhance Research and Analysis Capabilities

The Group constantly follows the latest development of government economic policies, especially those have substantial impacts on market interest rates, and conduct in-depth research on the financial market conditions. The Group continuously enhances its research and analysis capabilities on macroeconomic conditions, so that it can improve the Group's predictions on the interest rate volatility. The Group also utilizes advanced software to analyze the data about the Group's loans and deposits, such as their term, size and maturity.

Actively Monitor Interest Rate Risk Indicators

The Group uses information technology system to conduct actively monitoring of the key interest rate risk indicators, which provides it a solid foundation for assessing the Group's interest rate risk exposure. The Group also uses techniques such as duration analyses, scenario analyses, sensitivity analyses and stress tests to measure the Group's interest rate risks. For instance, the Group conducts regular stress tests on bonds and other major financial markets businesses in different stress scenarios, such as changes in the shape of the yield curve, to measure the potential impact on the Group's profitability. The Group also conducts *ad hoc* stress tests in the event of extreme market conditions. Based on these analyses, the Group may set exposure limit for certain loans and investment or adjust their re-pricing term to control the Group's interest rate risk. In addition, the Group has a reporting and response mechanism to monitor the real time interest rate sensitivity gap and to timely respond to interest rate risks.

Optimize the Group's Assets and Liabilities Structure

The Group closely follows the market and proactively optimizes its assets and liabilities structure to reduce interest rate risk. Based on the changing trends of market interest rates, the Group dynamically adjusts the size and structure of assets in response to changes in the market environment so that the maturities of the Group's assets and liabilities can match. For instance, during the cycle of an upward trend for the interest rate, the Group moderately reduces the overall duration of the Group's portfolio of bonds and Non-standard Credit Assets by increasing the proportion of short-term products. The Group also resets the interest rates for certain products, adjust funds transfer pricing and promote asset securitization. In addition, the Group strives to improve the overall quality of its investment portfolio. The Group has established various risk management policies for its financial markets businesses. For details, please see "Risk Management – Credit Risk Management – Credit Risk Management for the Group's Financial Markets Business".

Exchange Rate Risk

Exchange rate risk arises primarily from exchange rate fluctuations, as well as mismatches in the currency denomination of the Group's on- and off-balance sheet assets and liabilities and mismatches in the currency positions of the Group's foreign currency transactions, which may result in a loss of profits and a reduction of value of assets. Exchange rate risks faced by banks mainly include trading risk and conversion risk. Trading risk represents the possibility that banks may suffer losses as a result of a change in exchange rate while using foreign currencies to conduct pricing receipt and payment transactions. Conversion risk represents the possibility that banks may suffer paper losses as a result of a change in exchange rate while converting foreign currencies into the bookkeeping base currency.

Exchange Rate Risk Management

The Group seeks to maintain the adverse effects of exchange rate changes within a tolerable range by adopting various measures. The Group has put together various policies and operational procedures regarding the Group's foreign exchange businesses, such as foreign exchange settlement, sales and payment and foreign exchange trading, so as to ensure that the Group's risk mitigation measures are effectively implemented. Pursuant to the Group's standard operational procedures, it checks the position of the respective main foreign currency in the international market on a daily basis and actively monitors key indicators, such as exposure limit. Based on the monitoring, the Group sets overnight and daily limits for currency exposure.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due. Factors affecting the Group's liquidity include changes in the maturity profiles of the Bank's assets and liabilities and the monetary policies of the PBoC, such as changes in the statutory deposit reserve ratio. The Group is exposed to liquidity risks primarily in the Group's lending, trading and investment activities and in managing the Bank's liquidity position. The primary objective of the Group's liquidity risk management is to maintain sufficient funding at all times to fulfill the Bank's payment obligations and working capital requirements.

The Group manages liquidity risk primarily through monitoring the maturity of the Group's assets and liabilities to ensure the Group has sufficient funds in a timely manner or at a reasonable cost to fulfill the Bank's payment obligations when due. The Group has improved the Group's liquidity risk management following the CBRC's announcement of the Notice on Further Strengthening the Supervision of Liquidity Risks of Commercial Bank (《關於進一步加強商業銀行流動性風險監管的通知》) and the Administrative Measures for the Liquidity Risk Management of Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》), which became effective on October 1, 2015. The Group implements more stringent regulatory requirements, closely monitor all liquidity ratios, formulate crisis management plans, strengthen liquidity risk management and improve the application of stress test. The major measures the Group has taken to manage liquidity risk include:

- establishing a liquidity risk management system and organizational structure that fit the Group's operational scale; utilizing the discussion mechanism of the Group's Assets and Liabilities Committee, strengthening the research and prediction of macroeconomic condition; establishing a tiered liquidity reserve system in preparation for potential liquidity crisis; conducting liquidity risk assessment before launching new products or business lines; strengthening efforts to recover NPLs and strictly controlling the addition of new NPLs.

- centralizing cash flow and position limit management; establishing a reporting system for large fund flows and a reasonable allocation of funds to increase returns on assets;

- optimizing asset and liabilities portfolio to control long term structural liquidity risk; adjusting the maturity mix of the Group's assets and liabilities by change of business plans, funds transfer pricing and mandatory adjustment;

- improving the liquidity limit management system and strictly implement the limit management; monitoring liquidity risk through multiple key indicators, including surplus deposit reserve ratio, liquidity coverage ratio, deposits from top ten customers to total deposits, net stable funding ratio, loan to deposit ratio and liquidity ratio;

- strengthen the liquidity stress test and contingency management; conducting periodic cash flow analysis and liquidity stress tests to identify potential liquidity risk and develop risk mitigation measures; formulating a liquidity risk contingency plan to ensure sufficient liquidity under various market conditions; and

- improving the liquidity reporting system.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of losses arising from inadequate or defective internal procedures, personnel and information systems, or external events. The primary operational risks the Group is exposed to include internal and external frauds, misconduct of employees, safety incidents, worksite security, business interruptions, information system breakdown, and defects in the execution and settlement of transactions and business process management.

Principles of the Group's Management of Operational Risks

The Group strictly follows the *Guidelines on the Operational Risk Management of Commercial Banks* (商業銀行操作風險管理指引) promulgated by the CBRC and have formed the Bank's operational risk management policies and prepared following key principles:

- Principle of "Concentration and Dispersion". The Compliance Department at the head office is responsible for the centralized management of the bank-wide operational risk, with support from operating departments at headquarters, branches and sub-branches, who shall undertake daily management of operational risks;

- Principle of "Top-down and bottom-up". The Group adopts hierarchical management method where the major operation risks are supervised and coordinated by the senior management and the daily operational risks are managed by the head office's departments within their individual scope of duties with the necessary support from the Compliance Department;

- Principle of "Completeness and Emphasis", which requires the Group's operational risk management to cover each employee in every department and each procedure in every business operation and continuously enhance management of key business lines and key positions.

Three Lines of Defense

While the Board of Directors is ultimately responsible for the Bank's operational risk management, the senior management leads the Group's day-to-day bank-wide operational risk management. The Bank has established "three lines of defense" against operational risk. The first line of defense is formed by the Bank's head office, branches and sub-branches and the Bank's various business departments. The second line of defense includes the Bank's Risk Management Department, Compliance Department and other risk management-related departments. The Bank's Compliance Department is responsible for leading the formulation of the policies and procedures for operational risk management, and reviewing and evaluating the effectiveness of operational risk management implemented by the Bank's branches and sub-branches at all levels. The Bank's Compliance Department is also responsible for leading the establishment of the Bank's operational risk management system and ensuring the uniform application and effectiveness of the Bank's operational risk management. The third line of defense is constituted by the Bank's Audit Department, which is responsible for conducting independent valuation of the Bank's operational risk management system and its implementation and monitoring the effectiveness of the Bank's operational risk management policies.

Standardized Management of Policies and Operational Procedures

The Group continues to optimize the Group's policies and operational procedures, and conduct inspections and monitoring on control points. The Group has an operational risk management mechanism covering every aspect of the business processes in the Bank's head office, branches and sub-branches. For instance have put together a standard credit management operational manual that setting forth detailed operational procedure flowchart for each position. These procedures cover, among others, product marketing, research and development management, due diligence, customer rating, credit approval, collateral management, disbursement review and approval, post-disbursement management, principal and interest recovery, accounting treatment, risk classification, provision reservation, NPLs management, and documentation management. The Group provides a continuous training scheme to strengthen the Group's employees' skills and require all of the Group's employees to strictly follow these operational procedures in their daily work, whether they are responsible for business development or risk management. The compliance with these procedures is an important factor in evaluating the Group's employees' performance.

Bottom-Up Operational Risk Reporting System

The Group has established a bottom-up operational risk reporting system. The Bank's business departments at the head office level and branches periodically or *ad hoc* report their operational risk management status and incidents to the Compliance Department, which submits periodic and *ad hoc* reports relating to operational risks to the Bank's Board of Directors, Board of Supervisors and senior management. The reports are required to include the Group's operational risk profile, operational risk incidents and relevant data analysis, trends and early warning analysis, remediation measures and steps for future improvements. Significant operational risk incidents shall be reported to supervising department and senior managers in charge of relevant work. In addition, the relevant employees shall file a report to departments in charge of operation risks in the same time. After receiving relevant reports, the Compliance Department at the head office shall immediately report to senior management. The Group has formulated code of conduct for the Group's employees and other internal policies to encourage whistle-blowing upon their discovery of potential misconduct.

Normalized Supervision and Inspection Mechanism

The Bank has formulated inspection plans on internal control and compliance for the entire bank. Combining regulatory requirements and the Bank's actual situation, the Bank organizes all business lines to conduct inspections on the internal control, compliance and operational risks of important positions, key business links, organizations and staff's abnormal behaviors, in order to effectively eliminate potential operational risks.

Measures to Further Improve the Group's Operational Risk Management

The Group seeks to further improve the Group's operational risk management through the following measures:

- Strictly separating the responsibilities of the front, middle and back offices and optimizing operational procedures and risk control procedures;
- Adopting advanced risk management tools, such as the risk control self-assessment, to identify and evaluate the sufficiency and effectiveness of the Bank's operational risk management;
- Conducting regular operational risk stress tests to identify potential operational risks, so that the Group could continuously improve relevant risk management measures;
- Establishing and improving an operational risk evaluation mechanism for new businesses, new products and new systems, and optimizing the relevant policies, procedures and systems based on the evaluation results;
- Establishing key indicator database for operational risks for all business lines to strengthen the base for dynamic operational risk monitoring and risk mitigation measures;
- Strengthening the compliance awareness for the Group's employees through continuous trainings, on-site inspections and off-site monitoring;
- Issuing risk alters for risk incidents and improving operational risk control measures;
- Establishing internal compliance and operational risk management system; and
- Strengthening three lines of defense through the internal audit systems.

INFORMATION TECHNOLOGY RISK MANAGEMENT

The Risk Management Department at the Bank's head office is responsible for managing the Bank's information technology risk. Information technology risks include operational risk, reputational risk, legal risk and other types of risks caused by natural or human factors, technical loopholes and management failure arising from the Group's use of information technology. The Group makes efforts to identify, assess and monitor information technology risks by establishing an effective mechanism to operate the Group's business. The Group strives to continuously improve the Group's information technology infrastructure and put the Bank's management in line with the ISO27001 standard and the Guidelines on Information Technology Risk Management of Commercial Banks issued by the CBRC. The Group's objective is to establish and improve the Group's information technology risk management through innovation.

Similar to other banks and financial institutions, the Group relies on proper functioning of the information technology systems for the Group's business operations. As a result, disruptions of the Group's information technology may severely damage the Group's internet banking or mobile banking operations. The Group has established an information technology risk control self-assessment mechanism, which requires each of the Bank's departments to identify, register and evaluate the risks relating to information technology and take proper mitigation measures. The

Group also closely monitors information technology key risk indicators and issue information technology risk alerts at the early stage. In addition, the Group conducts regular trainings for its employees to enhance their awareness on information security and improve the implementation of its information technology risk management.

Information Security Management

The Group has established a complete information security organizational structure, which covers the security management for physical conditions, staff, system construction, system operation and maintenance, and terminals. To ensure the security of information technology, The Group has hired professionals to oversee the Group's information security and established a series of information security management measures covering various areas in order to prevent any unauthorized online intrusion, attack, data leakage or third-party tampering on the Bank's information system. The Group also maintains security of the Bank's information system through various technologies such as encryption, anti-virus software, firewall and malicious code protection and it continuously updates such technologies to enhance the Group's information security management. In addition, The Group has established a standardized information security risk monitoring and assessment mechanism, which requires the Group to carry out periodic internal and external information security risk assessments and enables the Group to deal with any red flag issues promptly.

Business Continuity Management

As part of the Group's business continuity management measures, the Group has established a few disaster backup infrastructures in different cities. Where the Group's head office is located, the Group has a backup data room pursuant to the Grade-A national criteria for data centers. The Group has constructed a disaster recovery center in Beijing, which provides back-up plans for the Group's important information system in the event of fire, construction breakdown and interruption of electricity and telecommunication. The Group has also established detailed contingency plans regarding the potential breakdown of the Group's information system to ensure the continuity of the Group's operations. The Group conducts annual business continuity simulations for the Group's important businesses.

Information Technology Audit

The Group carries out comprehensive internal audits over the Group's information technology risk management at least once every three years to safeguard the effective implementation of the Group's various risk management measures. The Group's Audit Department formulates implements and adjusts internal audit plans, inspects and evaluates the comprehensiveness and effectiveness of the Group's information technology system and internal control regime, and completes the internal audit work pursuant to the audit plans. The Group may also engage external experts to carry out external audits upon the Group's hardware, software, files, and data in order to identify existing risks associated with the Bank's information technology. The CBIRC or its agencies may, when necessary, designate qualified external audit institutions to conduct audit upon the Group's information technology. Their authorized audit reports shall take the same effect as those from the CBIRC or its agencies upon review and approval by the CBIRC. The Group is required to further propose and implement rectifying measures within the time prescribed based on these audit reports.

REPUTATIONAL RISK MANAGEMENT

Reputational risk refers to the risk of negative comments from relevant interested parties resulting from the Bank's operations, management, and other activities or external events. The Group seeks to establish an effective reputational risk management mechanism to monitor, identify, report, control, and assess the Bank's reputational risk, manage the whole process of the Group's reputational risk emergency handling, and reduce to the extent possible the loss and negative impact upon the Bank due to certain incidents.

The Group has established a tiered organizational framework for reputational risk management. The Bank's Board of Directors bears the ultimate responsibility for reputational risk management. The Bank has established the General Office at the Bank's head office to deal with publicity and handle material or emergent reputational events. The General Office is responsible for leading, coordinating, and supervising the Bank's branches and sub-branches in their daily management, establishment of regulations, public relation management and handling of emergencies in relation to reputational risk.

The Group collects, organizes, and analyzes information in relation to the Bank's reputation every day. By enhancing the Group's relationship with the media, it strives to promote positive publicity and receive positive feedback on the Group's business operations. The Group conducts regular review of the Group's reputational risk and issue risk alerts for potential reputational risk incidents. The Group engages public relation companies and work with them to prepare contingency plans to tackle reputational incidents. In the case of any reputational incident, the Group will organize an emergency leading team, activate the contingency plans and timely resolve any such incident pursuant to the Group's internal workflow. At the same time, the Group will also work together with public relation companies on press communications and information publication in order to minimize the adverse impact caused by such incidents.

In addition, the Group has established an internal reporting mechanism to ensure timely and effective report to the headquarters upon occurrence of material and urgent incidents throughout the Bank covering the village and township banks, where the specific branch or sub-branch shall make parallel reports to (i) chairman of the Board, chairman of the Board of supervisors or presidents and (ii) president and vice president as well as relevant department of such branch and sub-branch.

LEGAL AND COMPLIANCE RISK MANAGEMENT

Legal Risk

Legal risk refers to the risk of legal liability arising from violation of laws and regulations, breach of contracts, infringement on legal rights of others or otherwise in connection with any contract or business activity in which the Group is involved.

The Bank's Compliance Department at the head office and the corresponding departments at the branch level are responsible for management of the Group's legal risk. The Group carries out legal risk management mainly through the following measures:

- Implementing the legal review system. The Group requires the contracts for all types of businesses bank-wide to be reviewed by the Bank's Compliance Department at the headquarters, branches or sub-branches to prevent legal risks and ensure the legality of the Group's operational activities.

- Formulating form agreements. The Bank's head office formulate form agreements for frequent operational activities and use them in group-wide businesses to reduce legal risks.

- Strengthening litigation management. The Bank's head office manages the group-wide litigation cases. The Group studies and discusses the action plans upon litigation and enhances the Group's case management capability to reduce legal risks.

- Periodic legal training. The Group conducts bank-wide legal trainings periodically every year to enhance the legal knowledge and risk awareness of the Group's personnel.

- Legal risk alert system. For common legal risks in the Group's business operations, the Group publishes legal risk alerts on its website to remind the Group's employees to prevent and reduce the occurrence of legal risk incidents.

Compliance Risk

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 the Group's compliance risk management are to effectively identify, evaluate and prevent compliance risks by establishing a sound mechanism of compliance risk management, thereby to build up a comprehensive risk management mechanism to ensure the Group's compliance with laws and regulations.

The Bank's Board of Directors bears ultimate responsibility for compliance of the Group's operational and management activities with applicable laws and regulations. The Bank's senior management is responsible for formulating compliance policies, whereas the Compliance Department at the Bank's head office and the corresponding departments at the branch level assist the Bank's senior management in the daily management of the Group's compliance risk. Each of the business lines and business departments is principally responsible for its respective compliance and compliance management. The Group carries out compliance risk management mainly through the following measures:

- Compliance resource allocation. The Group hires sufficient compliance management personnel with appropriate qualification, experience and expertise to provide adequate support to the compliance work in each business line and branch.

- Identification and evaluation of the compliance risk. The Group conducts periodic analysis on business procedures and identifies and confirms the compliance risk points. The Group conducts periodic and special evaluation on the risks identified, assessing the likelihood and significance of the damages caused by legal sanctions and regulatory penalties. The Group also conducts special evaluation in certain conditions, such as development of new products or businesses, occurrence of significant risk accidents, material changes of business procedures and changes of regulatory environment.

- Monitoring and control of compliance risk. The Group conducts compliance review on each business line and each branch and sub-branch. The Bank's compliance departments provide bank-wide compliance consultation relating to relevant domestic and international laws, regulations and internal policies. The Group issues compliance risk notifications when certain conditions are met.

- Compliance risk reports. Each business department and branch reports compliance risk-related information to the person in charge of such business department or branch, and to the Compliance Department at the Bank's head office simultaneously. The Compliance Department at the Bank's head office consolidates this information and report the senior management.

- Compliance performance review, accountability and reporting. The Group has incorporated compliance into the Group's performance review system to emphasize the importance of compliance. The Group has established compliance accountability and reporting mechanism to encourage the Group's employees to participate in compliance risk management.

- Compliance culture. The Group believes that compliance creates value for the Group and dedicate to cultivating a compliance culture among all of the Group's employees. In light of the increasingly strict regulatory requirements imposed by the banking regulatory authorities recently, the Group strengthens the Group's internal compliance checks and inspections for relevant businesses; evaluates and optimize the operational policies and procedures for relevant businesses; increases the proportion of compliance in the evaluation mechanism; adopt strict accountability internally; and conducts compliance training, etc. The Group strengthens its compliance management and cultivates a compliance culture.

Anti-money Laundering

In line with the PRC Anti-Money Laundering Law and other applicable rules and regulations promulgated by the PBoC, The Group has established a bank-wide organizational structure for anti-money laundering and developed internal control measures and standard operational procedures, which enable the Group to effectively identify, evaluate, monitor, control and report anti-money laundering risk. The Group has set up an anti-money laundering leading group, which is headed by the Bank's senior management, to lead, decide, deploy and coordinate the bank-wide anti-money laundering implementation. The Compliance Department is responsible for leading the anti-money laundering management and coordinating with all the business departments, functional departments, branches and sub-branches in relation to the internal control policies and operational procedures about anti-money laundering.

The Group has developed internal policies and procedures with respect to anti-money laundering which are primarily relating to customer due diligence, transaction record keeping, suspected terrorism financing, money laundering risk classification, and large and suspicious transaction reporting. The Group is dedicated to upgrading its anti-money laundering system. Pursuant to the latest regulatory requirements of the PBoC, it studies self-monitoring module to improve its effectiveness. The Group provides regular trainings to its employees to help them understand the latest development about PRC and international anti-money laundering laws. At the same time, the Group launches regular client-training program on anti-laundering knowledge.

The Bank has formulated the Bank's Customer Money Laundering Risk Classification Policy to classify the Bank's customers into five levels based on their money laundering risk. For newly-acquired customers who newly established business relationship with the Bank, the Bank reviews the customer information and classifies their risk levels. The Bank continuously monitors the changes in customer situation and their transactional records and adjusts their risk levels as appropriate. For high risk customers, the Bank conducts identification recognition semi-annually. The Bank focuses on analyzing financial condition, operational status, controlling shareholders and controlling persons, actual controllers and actual beneficiaries. The Group also conducts a closer monitoring on their transactional details through the Group's core business system or anti-money laundering system to update the investigated information into the anti-money supervision system.

The Group has established a management system for large and suspicious transaction reporting, and has formulated independent monitoring rules and models according to the requirements set forth by the regulatory authorities. The Group submits the suspicious transaction reports which fulfill the requirements and have gone through the artificial analysis to the Anti-Money Laundering Monitoring and Analysis Center of PBoC, and timely files the key suspicious transaction reports to the local PBoC as well as public security organs.

INTERNAL AUDIT

The Group believes internal audit is essential to the sustainable development of its business operations. The objectives of the Group's internal audit are to enhance the Bank's internal control and risk management, improve corporate governance and monitor implementation of relevant rules and regulations by the Bank's departments and employees. The Bank's Audit Department strictly follows the principles of independence, importance, prudence, objectivity and relevance throughout the Group's internal audit work.

The Group has established an independent internal audit system where the Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of internal audit. The Board has set up the Audit Committee to guide and supervise the internal audit work of the Bank, and the Board of Supervisors is responsible for supervising the internal audit work. The General Manager of the Audit Department shall report to the Board of Directors, the Audit Committee and the Board of Supervisors on a regular basis and notify the senior management. The Audit Department prepares the annually audit plan for approval by the Audit Committee and the Board of Directors. During routine audits, the Group reviews its operations, information systems, financial reporting and risk management through systematic and standardized internal audit methods, and evaluate the effectiveness of the Bank's internal control and corporate governance. The Group also conducts special audits on the Bank's exposures to various risks such as credit risk, market risk, operational risk and information technology risk. The Group carries out its internal audit work on-site or off-site and issue audit reports afterwards. To ensure that the audited units have taken proper rectifying actions in response to audit suggestions, the Bank's Audit Department conducts subsequent audits and provide subsequent audit reports based on the results of the rectifying actions.

RISK MANAGEMENT IN RELATION TO VILLAGE AND TOWNSHIP BANKS

Each of the five village and township banks where the Bank has equity interest is an independent legal entity regulated by the CBIRC. In compliance with the requirements of the CBIRC, the Bank respects the independent operation of these village and township banks and strive to maintain their autonomous operation in daily risk management. In respect of risk management work, the Group regards village and township banks as its own branches and sub-branches.

The Bank conducts risk management work in relation to these five village and township banks according to *Notice on Issuing the Guidelines for the Consolidated Management and Supervision of Commercial Banks* (《關於印發商業銀行併表管理與監管指引的通知》) issued by CBRC, a predecessor of the CBIRC. Based on the foregoing, the Bank allows the five village and township banks to make their own business decisions and maintain their own information technology, risk management, internal control and financial reporting systems. Although the Bank does not directly participate in their business operations, the Bank provides overall strategic guidance, monitor the implementation of operating policies and providing necessary training that are of significance in their development. The Bank requires its village and township banks to establish a comprehensive risk management system that contains an independent tiered credit approval system with credit approval committees, and to have designated persons for loan disbursement and post-disbursement management. From time to time, the risk management-related departments of the Bank's head office provide risk management advice to village and township banks and organize professional trainings for their employees.

While each of the five village and township banks performs its respective daily risk management work on an independent basis, the Bank closely monitors the loan books and loan accounts of these village and township banks. In respect of post-disbursement management, the Bank classifies loans extended by relevant village and township banks into five levels in accordance with the CBIRC requirements on the five-level classification of loans. The Bank also conducts dynamic monitoring of the default rates and default periods of relevant village and township banks and issue risk alerts when the quality of loans is at risk. From time to time, the Bank randomly inspects the default rates and default periods of the loans of these village and township banks.

RISK MANAGEMENT IN RELATION TO JIANGXI FINANCIAL LEASING

The Group manages risk management work of Jiangxi Financial Leasing in line with relevant PRC laws and regulations, including "The Guidance on Consolidated Management and Supervision of Commercial Banks (商業銀行併表管理與監管指引)". Being the subsidiary of the Bank, Jiangxi Financial Leasing is required to comply with group-wide policies and procedures in managing its credit risks, liquidity risks and operational risks. In particular, the Group guides and supervises the material aspects of the operations, finance, investments, compliance and human resources of Jiangxi Financial Leasing. The annual budget and key performance indicators and risk management measures of Jiangxi Financial Leasing must be reported to and pre-approved by the Board of the Bank. Jiangxi Financial Leasing must submit a management report to the Bank addressing the management of its credit risk, operational risk, market risk and liquidity risk on a semi-annual basis.

In line with relevant PRC laws and regulations, the Group conducts regular and *ad hoc* review on key regulatory risk indicators on group-wide basis where the results of Jiangxi Financial Leasing will be taken into account, including capital sufficiency, concentration of credit risks and information disclosure. During the Track Record Period and up to the Latest Practicable Date, the Group has not received any penalty from regulatory authorities, or identified any major risk management and internal control weaknesses, in relation to risk management work of Jiangxi Financial Leasing, which could cause material and adverse effect to the Bank's business operation and financial results.

CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, the transactions the Bank has entered into with the Group's connected persons (as defined in the Listing Rules) will constitute connected transactions for the Group under Chapter 14A of the Listing Rules. The Bank expects such transactions will continue following the Listing, thereby constituting continuing connected transactions under the Listing Rules.

Fully Exempt Continuing Connected Transactions

Commercial banking services and products provided in the ordinary and usual course of business

The Bank is a commercial bank incorporated in the PRC and regulated by the CBIRC and PBoC. The Bank provides commercial banking services and products in its ordinary and usual course of business to members of the public in the PRC, which include the Group's connected persons (such as Directors, Supervisors and/or their respective associates). Set forth below are details of continuing connected transactions between the Bank and the Group's connected persons, which are entered into on normal commercial terms (or commercial terms that are better to the Bank) in the ordinary and usual course of the Bank business.

Loans and other credit facilities to connected persons

The Bank extends loans and other credit facilities to certain of the Group's connected persons. The Bank expects that the Bank will continue to provide loans and other credit facilities to the Group's connected persons following the Listing, which will constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

The loans and other credit facilities are provided by the Bank to the Group's connected persons in the Bank's ordinary and usual course of business and on normal commercial terms or better with reference to prevailing market interest rates. Therefore, these transactions will constitute financial assistance provided by the Bank to the Group's connected persons in the Bank's ordinary and usual course of business and on normal commercial terms or better, which will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements by virtue of Rule 14A.87(1) of the Listing Rules.

Deposits taking and guarantees provided by connected persons

The Bank takes deposits from certain of the Group's connected persons and also receive guarantees provided by certain of the Group's connected persons in relation to loans and other credit facilities extended by the Bank to the Group's customers. The Bank expects that the Group's connected persons will continue to place deposits with the Bank and/or provide guarantees in relation to loans and other credit facilities extended by the Bank to the Group's customers following the Listing, which will constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

The deposits are placed by the Group's connected persons with it on normal commercial terms or better with reference to prevailing market interest rates. The guarantees are also provided to the Bank by the Group's connected persons on normal commercial terms. Therefore, these transactions will constitute financial assistance received by the Bank from the Group's connected persons in the form of deposits or guarantees on normal commercial terms or better and not secured by the Group's assets, which will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements by virtue of Rule 14A.90 of the Listing Rules.

Other banking services and products

The Bank provides various commercial banking services and products (including wealth management products) to certain of the Group's connected persons at normal fee standards. The Bank expects that it will continue to provide such commercial banking services and products to the Group's connected persons following the Listing, which will constitute continuing connected transactions for the Bank under Chapter 14A of the Listing Rules.

The commercial banking services and products are provided by the Bank to the Group's connected persons in the Bank's ordinary and usual course of business and on normal commercial terms or better, which are expected to constitute de minimis transactions under Chapter 14A of the Listing Rules. Therefore, these transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements by virtue of 14A.76(1) of the Listing Rules.

The Bank has established and adopted a management system on connected transactions, pursuant to which, the relevant departments involved in connected transactions will be responsible for the information gathering and monitoring of such transaction, and conducting evaluation on the fairness of the transaction terms and the pricing terms.

BOARD OF DIRECTORS

The Board consists of fifteen Directors, including three executive Directors, seven non-executive Directors and five independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years pursuant to the relevant PRC laws and regulations. The following table sets forth certain information regarding the Directors.

Name	Age	Time of joining the Group	Date of appointment as a Director(1)	Existing position in the Bank	Responsibilities
Mr. CHEN Xiaoming (陳曉明)	51	March 2006	August 2, 2012	Executive Director, chairman	Responsible for the overall management, strategic planning and business development of the Bank
Mr. LUO Yan (羅焱) .	49	February 2018	May 24, 2018	Executive Director, president	Responsible for the daily operation and management of the Bank and in charge of the human resources department (organization department of the party committee) and institute of strategic research
Mr. XU Jihong (徐繼紅)	53	February 1998	May 24, 2018	Executive Director, vice president, secretary to the Board	In charge of the general office of the Board, planning and finance department, risk management department, asset preservation department and institution management department
Mr. QUE Yong (闕泳)	41	March 2016	March 28, 2016	Non-executive Director	Responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank
Mr. LI Zhanrong (李占榮)	47	March 2016	March 28, 2016	Non-executive Director	Responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank

Name	Age	Time of joining the Group	Date of appointment as a Director[1]	Existing position in the Bank	Responsibilities
Mr. LIU Sanglin (劉桑林)	52	March 2016	March 28, 2016	Non-executive Director	Responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank
Mr. DENG Jianxin (鄧建新)	54	November 2016	November 24, 2016	Non-executive Director	Responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank
Ms. CHEN Yu (陳昱)	48	March 2016	March 28, 2016	Non-executive Director	Responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank
Mr. ZENG Zhibin (曾智斌)	43	July 2013	July 22, 2013	Non-executive Director	Responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank
Mr. TANG Xianqing (唐先卿)	54	July 2017	July 12, 2017	Non-executive Director	Responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank
Ms. ZHANG Rui (張蕊)	55	March 2016	March 28, 2016	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank

Name	Age	Time of joining the Group	Date of appointment as a Director[(1)]	Existing position in the Bank	Responsibilities
Mr. GUO Tianyong (郭田勇)	49	March 2016	March 28, 2016	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank
Ms. ZHANG Wangxia (張旺霞)	40	July 2017	July 12, 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank
Mr. WONG Hin Wing (黃顯榮)	55	February 2018	February 12, 2018	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank
Ms. WANG Yun (王芸)	52	December 2017	December 20, 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank

Note:

(1) The date of appointment as a Director stated here represents the date on which the relevant Director obtained the approval of directorship qualification from the CBRC Jiangxi Office.

BOARD OF SUPERVISORS

The PRC Company Law requires a joint stock company to establish a board of supervisors that is primarily responsible for supervising the performance of the board and senior management and the financial operations, internal control and risk management. The Board of Supervisors consists of nine Supervisors, including three employee representative Supervisors, three shareholder representative Supervisors and three external Supervisors. The Supervisors are elected for a term of three years and may be subject to re-election, provided that the cumulative term of an external Supervisor shall not exceed six years, pursuant to the relevant PRC laws and regulations. The following table sets forth certain information about the Supervisors.

Name	Age	Time of joining the Group	Date of appointment as a supervisor	Existing position in the Bank	Responsibilities
Mr. LIU Fulin (劉福林)	54	December 2015	December 28, 2015	Chairman of the Board of Supervisors, employee representative Supervisor	Responsible for overall work of the Board of Supervisors, in charge of the office of the Board of Supervisors and audit department and supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank
Mr. SHI Zhongliang (史忠良)	74	December 2015	December 29, 2015	External Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank
Ms. LI Danlin (李丹林)	53	December 2015	December 29, 2015	External Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank
Mr. SHI Jing.	50	December 2015	December 29, 2015	External Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank

Name	Age	Time of joining the Group	Date of appointment as a supervisor	Existing position in the Bank	Responsibilities
Mr. HUANG Zhenping (黃鎮萍)	46	October 2016	October 28, 2016	Shareholder representative Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank
Mr. CHEN Chuxin (陳出新)	54	December 2015	December 29, 2015	Shareholder representative Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank
Mr. ZHOU Minhui (周敏輝)	53	September 2017	September 15, 2017	Shareholder representative Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank
Ms. TAO Yulan (陶玉蘭)	47	February 1998	March 25, 2009	Employee representative Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank
Mr. CHEN Xinxiang (陳新祥)	50	December 2015	December 28, 2015	Employee representative Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank

SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management of the Bank.

Name	Age	Time of joining the Group	Date of appointment as a senior management	Existing position in the Bank	Responsibilities
Mr. LUO Yan (羅焱)	49	February 2018	February 6, 2018	President	Responsible for the daily operation and management of the Bank and in charge of the human resources department (organization department of the party committee) and institute of strategic research
Mr. CHEN Yong (陳勇)	56	February 1998	June 16, 2006	Vice president	In charge of the general office of the Bank (general office of the party committee), compliance department, credit approval department and logistics service center
Mr. XU Jihong (徐繼紅)	53	February 1998	September 15, 2006 April 9, 2008	Secretary to the Board Vice president	In charge of the general office of the Board, planning and finance department, risk management department, asset preservation department and institution management department
Mr. CHENG Zongli (程宗禮)	51	February 1998	April 25, 2011	Vice president	In charge of corporate banking department, financial markets department, international business department, investment banking department and operation management department
Mr. CAI Xiaojun (蔡小俊)	52	October 2011	October 24, 2011	Vice president	In charge of personal banking department, credit card department, information and technology department, internet finance department and small-enterprise credit center

Note:

(1) None of the Directors, Supervisors and members of senior management is related to other Directors, Supervisors and members of senior management.

BOARD OF DIRECTORS

Executive Directors

Mr. CHEN Xiaoming (陳曉明) is an executive Director and the chairman of the Board, primarily responsible for the overall management, strategic planning and business development of the Bank. Mr. Chen is also the secretary to the party committee of the Bank and the chairman and a director of Jiangxi Financial Leasing.

Mr. Chen has approximately 30 years of experience in the banking industry. He joined the Bank as the president of the Bank in 2006 and has been the chairman of the Board and secretary to the party committee of the Bank since 2012. Prior to joining the Bank, Mr. Chen was with China Construction Bank (中國建設銀行) (formerly known as the People's Construction Bank of China (中國人民建設銀行)) from July 1988 to March 2006, during which he successively served as (i) a cadre at credit division of business department of Nanchang Branch, (ii) a cadre of Nanchang Changbei Sub-branch, (iii) a deputy director of international business department of Nanchang Branch, (iv) the director of business department of Nanchang Branch, (v) a vice president and a member of the party group of Nanchang Branch, (vi) a member of the party committee and a vice president of Nanchang Branch, (vii) a deputy general manager and a member of the party committee of business department of Jiangxi Branch, (viii) a deputy secretary to the party committee and a deputy general manager of business department of Jiangxi Branch, (ix) the secretary to the party committee and president of Jiujiang Branch, and (x) the general manager of the planning and financial department of Jiangxi Branch. Mr. Chen was awarded the "National Labor May 1st Medal" (全國五一勞動獎章) by China National Union (中華全國總工會) in 2017. He was elected as a representative of the Fourteenth Congress of Communist Party of China Jiangxi Province (中國共產黨江西省第十四次代表大會) and a member of Twelfth Jiangxi Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議江西省第十二屆委員會) in 2016 and 2018, respectively.

Mr. Chen received a bachelor's degree in infrastructure construction financial credit from Jiangxi Institute of Finance and Economics (江西財經學院) (currently known as Jiangxi University of Finance and Economics (江西財經大學)) in Jiangxi Province, China, in July 1988, and a doctorate degree in industrial economics from Jiangxi University of Finance and Economics in June 2008. Mr. Chen was accredited as a senior economist by China Construction Bank in December 1999.

Mr. LUO Yan (羅焱) is an executive Director and the president of the Bank, primarily in charge of the daily operation and management of the Bank and in charge of the human resources department (organization department of the party committee) and institute of strategic research.

Mr. Luo has over 27 years of experience in the banking industry. He joined the Bank as the president of the Bank in February 2018. From August 2016 to January 2018, Mr. Luo successively served as the president, a director and a deputy secretary to the party committee of Guangdong Nanyue Bank Co., Ltd. (廣東南粵銀行股份有限公司). From October 2004 to February 2016, Mr. Luo was with China CITIC Bank Corporation Limited (中信銀行股份有限公司) (formerly known as CITIC Industrial Bank (中信實業銀行)), where he successively served as (i) an assistant to the head of the general office, (ii) a deputy head of the general office, (iii) the secretary to the board, head of the general office and head of the office of board of directors and supervisors, (iv) the president and secretary to the party committee of Guangzhou Branch, and (v) the president and secretary to the party committee of Shenyang Branch. From June 1996 to October 2004, Mr. Luo was with China Merchants Bank Co., Ltd. (招商銀行股份有限公司), where he successively served as (i) a deputy manager and a manager of the business division, and (ii) a senior manager of the secretarial office of general office and assistant to the head of general office. From August 1990 to June 1996, he successively served as a loan officer and deputy section chief of credit department in Bank of Communications Co., Ltd. Yangzhou Branch (交通銀行揚州分行).

Mr. Luo obtained a bachelor's degree in industrial financial accounting from Inner Mongolia University of Finance and Economics (內蒙古財經大學) (formerly known as Inner Mongolia Institute of Finance and Economics (內蒙古財經學院)) in Inner Mongolia Province in July 1990 and a master's degree in management science and engineering from Zhejiang University (浙江大學) in Zhejiang Province in June 2008. Mr. Luo also obtained an executive master of business administration from Peking University (北京大學) in Beijing in July 2011.

Mr. XU Jihong (徐繼紅) is an executive Director, a vice president of the Bank and the secretary to the Board, primarily in charge of the general office of the Board, planning and finance department, risk management department, asset preservation department and institution management department.

Mr. Xu has more than 31 years of experience in the banking industry. Mr. Xu joined the Bank when it was established in 1998 as the president of a sub-branch of the Bank and was promoted as the secretary to the Board in September 2006. Since April 2008, Mr. Xu has also been the vice president of the Bank. Prior to joining the Bank, Mr. Xu was the director and legal representative of Nanchang Science and Technology City Credit Union (南昌科技城市信用社) from May 1995 to January 1998. From July 1986 to May 1995, Mr. Xu was with Nanchang Branch of China Construction Bank and successively worked at the business department and the financial and accounting department.

Mr. Xu completed his correspondence course and obtained a diploma in finance from Jiangxi Institute of Finance and Economics in July 1992. He also completed his long distance learning courses in political education offered by Jiangxi Normal University and obtained a college diploma in December 1999. Mr. Xu was accredited as an accountant by the Ministry of Finance of the PRC in May 1996.

Non-executive Directors

Mr. QUE Yong (闕泳) is a non-executive Director, primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank.

Mr. Que has over 18 years of experience in financial management and banking industry. Since September 2015, he has been an expert consultant with respect to monetary policy in Nanchang Central Sub-branch of the PBoC (中國人民銀行南昌中心支行). Mr. Que joined Jiangxi Expressway Investment, a company primarily engaged in the investment and financing, construction and operation of expressways, as the head of financial audit department in February 2010 and has been the chief accountant since May 2014. He has been responsible for accounting, financial and budget management of this company. From July 1999 to May 2010, Mr. Que was with Jiangxi Ganyue Expressway Co., Ltd (江西贛粵高速公路股份有限公司) (SSE stock code: 600269), a company primarily engaged in the investment, construction and management of transportation infrastructure and successively served as the person in charge of the financial department, a deputy manager and the general manager of the financial department and the chief financial officer.

Please see the following table for the directorships in other listed companies held by Mr. Que.

Name of listed company	Position	Duration
Jiangzhong Pharmaceutical Co., Ltd. (江中藥業股份有限公司) (SSE stock code: 600750)	Independent director	March 2013 – May 2016
Jiangxi Ganyue Expressway Co., Ltd. (江西贛粵高速公路股份有限公司) (SSE stock code: 600269)	Director	September 2012 – present

Mr. Que was accredited as a "National Advanced Accounting Worker" (全國先進會計工作者) by the Ministry of Finance of the PRC (中華人民共和國財政部) in December 2015.

Mr. Que obtained a master of business administration from Jiangxi University of Finance and Economics in June 2009. Mr. Que was accredited as a senior account by the Shanghai Accreditation Committee for the Qualifications of Senior Professional and Technical Positions for Accountants (上海市會計系列高級專業技術職務任職資格評審委員會) in June 2006. He was also accredited as a senior account by the Jiangxi Accreditation Committee for the Qualifications of Accountant Senior Professional and Technical (江西省會計高級專業技術資格評審委員會) in October 2017. Mr. Que also completed the program designed for national leading accountants and obtained a certificate of "National Leading Accountant" (全國會計領軍人才證書) issued by the Ministry of Finance of the PRC in December 2012.

Mr. LI Zhanrong (李占榮) is a non-executive Director, primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank.

Since January 2015, Mr. Li has been the assistant to the general manager and a member of the party committee of Jiangxi Expressway Investment, where he was primarily responsible for cost control, enterprise reform and equity asset management. Mr. Li was accredited as "2013 Provincial Advanced Worker in Grain Production" ("2013年度全省糧食生產先進工作者") by Jiangxi Government in March 2014.

Mr. Li obtained a college diploma in national economy management through correspondence course from Nanchang University in July 2001. He also obtained an advanced master of business administration degree from Jiangxi University of Finance and Economics in December 2015. Mr. Li was accredited as a intermediate industrial economist (中級工業經濟師資格) accredited by the Ministry of Personnel (中華人民共和國人事部) (currently known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in October 1996.

Mr. LIU Sanglin (劉桑林) is a non-executive Director, primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank.

Since October 2015, Mr. Liu has been a director of Jiangxi Ganbo Foreign Trade Development Co., Ltd. (江西贛鄱外貿發展有限公司) (currently known as Jiangxi Financial Holding Foreign Trade Co., Ltd. (江西省金控外貿股份有限公司)), a company primarily engaged in import and export of merchandise and technologies. Since September 2014, Mr. Liu has been with Jiangxi Financial Holding, a company primarily engaged in banking, insurance, guarantee, re-guarantee, funds, securities, trust, futures, assets management, financial leasing and investment, where he successively served as the head of asset management department, an assistant to the general manager and the head of human resources department and has been responsible for assets inspection and management, and human resources management of this company. Since December 2009, he has also been a deputy general manager of Jiangxi Provincial Credit Guarantee Co., Ltd. (江西省信用擔保股份有限公司), a company primarily engaged in financing guarantee businesses, where he has been responsible for the risk management department, legal affairs department and office of this company. Mr. Liu's previous working experiences include serving as (i) the director of asset management division of Asset Management Center of Jiangxi Provincial Administrative Institution from June 2009 to August 2016, (ii) senior staff member and principal staff member of Treasury Department of the Jiangxi Provincial Department of Finance (省財政廳國庫處) from January 2001 to June 2009, and (iii) cadre, clerk, staff member and senior staff member of Budget Department of Jiangxi Provincial Department of Finance (省財政廳預算處) from August 1986 to January 2001.

Mr. Liu obtained a diploma in public finance from Jiangxi Finance and Economics Vocational College (江西省財務會計學校) (currently known as Jiangxi Vocational College of Finance and Economics (江西財經職業學院)) in Jiangxi Province, China, in July 1986 and completed his correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in economics management and graduated in December 1997. He then obtained his postgraduate diploma in international trade from Jiangxi University of Finance and Economics in July 2004.

Mr. DENG Jianxin (鄧建新) is a non-executive Director, primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank.

Since June 2015, Mr. Deng has been a director of Jiangxi Hongcheng Waterworks Co., Ltd. (江西洪城水業股份有限公司) (SSE stock code: 600461). Since April 2014, Mr. Deng has served as the chairman and secretary to the party committee of Nanchang Municipal Public Investment Holding Co., Ltd. (南昌市政公用投資控股有限責任公司), a company primarily engaged in asset management operations, investment in the establishment of industry, domestic trade, real estate and municipal construction and other businesses. Mr. Deng also serves as a director of Jiangxi Hongcheng Yikatong Investment Co., Ltd. (江西省洪城一卡通投資有限公司), a company primarily engaged in IC card business, and a director of Nanchang Gas Group Co., Ltd. (南昌市燃氣集團有限公司), a company primarily engaged in gas business. From September 2011 to April 2014, Mr. Deng served as the secretary to the leading party group and head of Nanchang Municipal Commission of Development and Reform (南昌市發展和改革委員會). From February 2007 to September 2011, he served as the secretary to the leading party group and head of Safety Production Supervision and Administration Bureau of Nanchang (南昌市安全生產監督管理局). From December 2004 to February 2007, Mr. Deng served as a deputy head and a member of leading party group of Nanchang Municipal Commission of Development and Reform. From September 2002 to February 2007, he served as the head of Nanchang Information Office (南昌市信息化辦公室). From September 2002 to December 2004, Mr. Deng was a deputy head and a member of leading party group of Nanchang Municipal Commission of Development Planning (南昌市發展計劃委員會). From June 1990 to September 2002, Mr. Deng successively held various positions in Nanchang Municipal Commission of Planning (南昌市計委) including a deputy head and a member of leading party group. Mr. Deng was accredited as a "2014 Excellent Entrepreneur of Jiangxi Province" (2014年度江西省優秀企業家) in 2015 by Jiangxi Provincial Association of Enterprises (江西省企業聯合會) and Jiangxi Provincial Association of Entrepreneurs (江西省企業家協會).

Mr. Deng obtained a college diploma in plant protection from Jiangxi Agricultural University (江西農業大學) in Jiangxi Province, China, in July 1986. Mr. Deng was qualified as a senior economist by Jiangxi Provincial Title Commission Office (江西省職稱工作辦公室) in December 2015.

Ms. CHEN Yu (陳昱) is a non-executive Director, primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank.

Since April 2009, Ms. Chen has been a deputy head of the financial management department of Jiangxi Tobacco Monopoly Bureau (江西省煙草專賣局) (also known as China Tobacco Corporation Jiangxi Branch (中國煙草總公司江西省公司)), a company primarily engaged in organization of production of tobacco leaves, sale of cigarettes and network building, monopoly management and supervision of law enforcement, where she was responsible for financial management of this company. From December 1998 to March 2009, Ms. Chen was with Nanchang Tobacco Monopoly Bureau (南昌市煙草專賣局) (also known as Jiangxi Tobacco Corporation Nanchang Branch (江西省煙草公司南昌市公司)), a company primarily engaged in purchase and wholesale of cigarettes and cigars, where she successively served as a deputy section chief of the planning and financing department and the section chief of the financial department. Ms. Chen won the title of "2005-2007 Outstanding Individual in Financial and Accounting Work of China National Tobacco System from 2005 to 2007 "(2005-2007年度全國煙草系統財會工作先進個人) awarded by National Tobacco Monopoly Bureau (國家煙草專賣局) and China National Tobacco Corporation (中國煙草總公司) in February 2009.

Ms. Chen obtained a diploma in finance and accounting from Xiangtan Technical Secondary School of China National Tobacco Corporation (中國煙草總公司湘潭中等專業學校) in Hunan Province, China, in June 1991. She completed her correspondence undergraduate course in Jiangxi University of Finance and Economics, majoring in accountancy (certified public accountant) and graduated in January 2006. She was accredited as an intermediate accountant by the Ministry of Finance of the PRC in May 2001, and obtained a certificate for passing the National Examination for Senior Accountant issued by the National Accounting Qualification Examination Leading Group in October 2016.

Mr. ZENG Zhibin (曾智斌) is a non-executive Director, primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank.

Mr. Zeng has been the Bank's Director since July 2013. Please see the following table for the other directorships held by Mr. Zeng.

Name of company	Nature	Principal business activities	Positions	Duration
Jiangxi PoHu Low-Carbon Environmental Protection Co., Ltd. (江西省鄱湖低碳環保股份有限公司)	Private company	Investment and construction of infrastructure and environmental protection public service facilities, such as water supply, water treatment, new energy and environmental protection	Chairman of the board	May 2016 – December 2017
North Lianchuang Communication Co., Ltd. (北方聯創通信有限公司) . . .	Private company	Development, manufacture, sale and providing engineering services for communication equipment, information systems, software, computer networks and other electronic products	Director	March 2016 – present

Name of company	Nature	Principal business activities	Positions	Duration
Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd. (江西聯創光電科技股份有限公司) (SSE Stock code: 600363) . .	Public company	Production and sale of LED and photoelectric cables	Chairman of the board	February 2016 – present
Hongfa Technology Co., Ltd. (宏發科技股份有限公司) (SSE Stock code: 600885) . .	Public company	Development, production and sale of relays, low-voltage electrical appliances, contactors, automation equipment and other related electronic devices and components	Director	November 2015 – present
Xiamen Hongfa Electroacoustic Co., Ltd. (廈門宏發電聲股份有限公司).	Private company	Development, production and sale of relays, low-voltage electrical appliances, contactors, automation equipment and other related electronic devices and components	Director	April 2015 – present
Ganshang Union (Jiangxi) Co., Ltd. (贛商聯合(江西)有限公司) . .	Private company	Development and operation of real estate, construction and operation of municipal road, infrastructure construction, urban landscaping projects, indoor and outdoor decoration projects	Executive Director	May 2013 – present
Ganshang Union Co., Ltd. (贛商聯合股份有限公司) . . .	Private company	Import and export of goods and technologies, warehousing, proprietary equipment leasing and sale of metal mineral products	Director	September 2012 – present
Jiangxi Electronic Group Corporation Ltd. (江西省電子集團有限公司) . .	Private company	Production and sale of LED and optoelectronic products, military products, relays, cables, development of real estate and financial investment	Director	November 2012 – present

The Directors are of the view that Mr. Zeng will be able to devote sufficient time to discharge his responsibilities and functions as a non-executive director of the Bank because (i) Mr. Zeng expects that the time to be spent for his above roles will occupy approximately 65% of his working time and the remaining 35% of his working time is sufficient for him to discharge his responsibilities as a non-executive Director; and (ii) Mr. Zeng has regularly attended the Board meetings of the Bank and various meetings of the committees under the Board, which he is a member, since his appointment as a non-executive Director in July 2013. The Joint Sponsors concur with the Directors' view based on the reasons set out above.

Mr. Zeng obtained a postgraduate diploma in business administration from Chinese Academy of Social Sciences (中國社會科學院) in Beijing, China, in May 2003.

Mr. Zeng Zhibin was a director of Shenzhen Pengtai Real Estate Co., Ltd. (深圳市鵬泰置業有限公司) ("**Shenzhen Pengtai**"), a limited liability company established in the PRC in August 2007, which primarily engaged in real estate development. The business license of Shenzhen Pengtai was revoked in November 2009. As confirmed by Mr. Zeng, the business license of Shenzhen Pengtai was being revoked as it did not complete its annual inspection in 2007. The management team of Shenzhen Pengtai was responsible for annual inspection of this company and Mr. Zeng, as a director of this company had not been involved in this procedure. Mr. Zeng confirmed that there was no wrongful act on his part leading to the revocation of the business license of Shenzhen Pengtai, and that save as disclosed above, no misconduct or misfeasance had been involved in the revocation of the business license of this company.

Mr. TANG Xianqing (唐先卿) is a non-executive Director, primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of the Bank.

Since September 1995, Mr. Tang has been with Jiangxi Provincial Investment Group Co., Ltd. (江西省投資集團有限公司) (formerly known as Jiangxi Investment Co., Ltd. (江西省投資公司) and Jiangxi Provincial Investment Group Corporation (江西省投資集團公司)), a company primarily engaged in energy, transportation and high-tech development, where he successively served as the head of financial department, secretary to committee for discipline inspection, deputy secretary to the party committee and deputy general manager and has been responsible for discipline inspection, management of operation planning and assets and financial matters. From August 1983 to September 1995, Mr. Tang successively served as an office clerk, staff member, senior staff member and principal staff member of infrastructure construction department of Jiangxi Provincial Planning Committee (江西省計劃委員會). Please see the following table for the other directorships and supervisorships held by Mr. Tang.

Name of company	Nature	Principal business activities	Positions	Duration
Jiangxi Ganneng Co., Ltd. (江西贛能股份有限公司) (SZSE stock code: 000899). .	Public company	Thermal power generation, hydroelectric power generation, comprehensive utilization of reservoirs, development of energy-saving projects, purchase, sale, transmission and distribution of electricity	Director	January 2007 – present
Shanghai hundred investment Trading Co., Ltd. (上海百投經貿有限公司) . . .	Private company	Sale and advisory services of hardware & electric accessories, chemical products (excluding dangerous goods) and building decoration materials	Chairman of the board	September 2002 – present
Jiangxi Investment Logistics Co., Ltd. (江西省投資物流有限責任公司).	Private company	Coal wholesale, cargo agency service and sale of general machinery equipment and chemical products (excluding dangerous goods)	Chairman of the board	October 2011 – present

Name of company	Nature	Principal business activities	Positions	Duration
Jiangxi Provincial Investment Imp. & Exp. Co., Ltd. (江西省投資進出口有限責任公司)	Private company	Import and export business	Chairman of the board	November 2007 – present
Jiangxi Poyanghu Industry Investment Management Co., Ltd. (江西鄱陽湖產業投資管理有限公司)	Private company	Industrial investment management, investment consulting, and other investment-related operation activities which are not prohibited by the laws	Director	October 2009 – April 2018
Jiangxi Dongjin Power Generation Co., Ltd. (江西東津發電有限責任公司)	Private company	Hydroelectric power generation, hydropower development, freshwater aquaculture, accommodation, catering, parking and entertainment	Chairman of the board of supervisors	March 1996 – present
Jiangxi Investment Electric Fuel Co., Ltd. (江西省投資電力燃料有限責任公司)	Private company	Research and development of high-tech products, technical consulting and service, sale of coal, mechanical equipment and instrumentations, proprietary and agency of the importing and exporting of various goods and technologies, outward investment of enterprises (excluding finance, securities, futures and insurance).	Chairman of the board of supervisors	March 2004 – present

The Directors are of the view that Mr. Tang will be able to devote sufficient time to discharge his responsibilities and functions as a non-executive director of the Bank because (i) Mr. Tang expects that the time to be spent for his above roles will occupy approximately 70% of his working time and the remaining 30% of his working time is sufficient for him to discharge his responsibilities as a non-executive Director; and (ii) Mr. Tang has regularly attended the Board meetings of the Bank and various meetings of the committees under the Board, which he is a member, since his appointment as a non-executive Director in July 2017. The Joint Sponsors concur with the Directors' view based on the reasons set out above.

Mr. Tang completed his correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in economics management in December 1998 and obtained his bachelor's degree in computer science and technology from Jiangxi Normal University (江西師範大學) in Jiangxi Province, China, in April 2001. Mr. Tang was accredited as a senior economist by Jiangxi Title Reform Committee in April 2001.

Independent Non-executive Directors

Ms. ZHANG Rui (張蕊) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Bank.

Since September 1984, Ms. Zhang has been with Jiangxi University of Finance and Economics (formerly known as Jiangxi Institute of Finance and Economics (江西財經學院)), where she successively served as a teacher in department of finance and accounting, the head of the teaching and research section for auditing of department of finance and accounting, a deputy head of department of finance and accounting, the dean of faculty of accounting and a director of research and development center for accounting development. Please see the following table for the other directorships held by Ms. Zhang.

Name of company	Nature	Principal business activities	Positions	Duration
Huayi Compressor Co., Ltd (華意壓縮機股份有限公司) (SZSE stock code: 000404)	Listed company	Development and production of refrigeration compressors	Independent director	April 2016 – present
Chengzhi Co., Ltd (誠志股份有限公司) (SZSE stock code: 000990)	Listed company	Clean energy, functional material and medical health care	Independent director	June 2011 – December 2017 April 2002 – April 2008
Tellhow Polytron Technologies Co., Ltd. (泰豪科技股份有限公司) (SSE stock code: 600590)	Listed company	Development and application of military equipment and intelligent energy products	Independent director	October 2009 – August 2015
Golden Sun Securities Co., Ltd (國盛證券有限責任公司)	Private company	Securities brokerage, securities investment consulting, securities underwriting and sponsorship; securities proprietary business, securities margin trading; sale of securities investment fund; sale of financial products	Independent director	March 2007 – June 2015
Jiangxi Copper Company Limited (江西銅業股份有限公司) (SSE stock code: 600362, SEHK stock code: 00358)	Listed company	Copper mining and dressing, smelting and processing, extraction and processing of the precious metal and scattered metal, sulphuric chemistry as well as finance and trade fields	Independent director	June 2006 – June 2012

Ms. Zhang expects that the time to be spent for her above roles will occupy approximately 60% of her working time, thus, she will have sufficient time to regularly attend the Board meetings of the Bank and serve as the chairperson of the audit committee and a member of the related party transactions control committee, remuneration and nomination committee and consumer rights protection committee under the Board. She will be able to fulfill her responsibilities and functions as an independent non-executive director of the Bank.

Ms. Zhang has been an expert entitled to special allowance granted by the State Council since August 2005. She also obtained a certificate of Star Teacher in Higher Education Institutions ("高等學校教學名師獎") issued by the Ministry of Education of the People's Republic of China in September 2009.

Ms. Zhang received a bachelor's degree in commercial finance and accounting from Jiangxi Institute of Finance and Economics in July 1984, a master's degree in accounting from Jiangxi Institute of Finance and Economics in July 1990 and a doctorate degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei Province, China, in December 2001. Ms. Zhang was accredited as a professor by Jiangxi Title Reform Committee (江西省職稱改革領導小組) in March 1999.

Mr. GUO Tianyong (郭田勇) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Bank.

Since 1999, Mr. Guo has been with Central University of Finance and Economics (中央財經大學) and was appointed as a professor and doctoral tutor in 2007 and 2010, respectively. Prior to that, Mr. Guo worked at the Yantai Central Branch of PBoC (中國人民銀行煙台市中心支行) from July 1990 to August 1993. Please see the following table for the directorships in other listed companies held by Mr. Guo in the last three years.

Name of listed company	Position	Duration
Ping An Healthcare And Technology Company Limited (平安健康醫療科技有限公司) (SEHK stock code: 01833).	Independent non-executive director	May 2018 – present
Ping An Bank Co., Ltd. (平安銀行股份有限公司) (SZSE stock code: 000001)	Independent director	August 2016 – present
Bank of Tianjin Co., Ltd. (天津銀行股份有限公司) (SEHK stock code: 01578).	Independent non-executive director	December 2014 – present
Hundsun Technologies Inc. (恒生電子股份有限公司) (SSE stock code: 600570)	Independent director	October 2014 – present
Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司) (SZSE stock code: 300378)	Independent director	May 2014 – present

Mr. Guo received his bachelor's degree in control science from Shandong University (山東大學) in Shandong Province, China, in July 1990. He received his master's degree in economics from Renmin University of China (中國人民大學) in Beijing, China, in July 1996. Mr. Guo received his doctorate degree in finance from Tsinghua University PBC School of Finance (清華大學五道口金融學院) (formerly known as the Postgraduate School of Finance for the Head Office of PBoC (中國人民銀行總行金融研究所)) in Beijing, China in September 1999.

Mr. Guo was a director of Chung Yuen High Polymer New Materials Holdings Limited ("**Chung Yuen**"), a limited liability company incorporated in the Cayman Islands and registered as a non-Hong Kong company on October 22, 2009. The business registration certificate of Chung Yuen was revoked on April 13, 2018. As confirmed by Mr. Guo, the business registration certificate was being revoked as it ceased place of business in Hong Kong. Mr. Guo confirmed that there was no wrongful act on his part leading to the revocation of the business registration certificate of Chung Yuen, and that save as disclosed above, no misconduct or misfeasance had been involved in the revocation of the business registration certificate of this company.

Ms. ZHANG Wangxia (張旺霞) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Bank.

Ms. Zhang was with the institution department II (機構二處) of Beijing Bureau of CSRC and was appointed as a deputy head (person in charge) in June 2013. Before that, she was a deputy head of inspection department (稽查處) of Beijing Bureau of CSRC.

Ms. Zhang obtained her bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in Beijing, China, in July 1999 and a master's degree in law from Peking University in June 2004. Ms. Zhang also obtained an executive master of business administration from the Hong Kong University of Science and Technology in November 2013. Ms. Zhang received the certificate of the legal profession qualifications granted by Ministry of Justice of the PRC in February 2005.

Mr. WONG Hin Wing (黃顯榮) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Bank.

Mr. Wong has 34 years of experience in accounting, finance, investment management and advisory. Since 1997, Mr. Wong has served various positions including the managing director at China Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), which is a licensed corporation under the SFO and primarily engaged in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, where he has been primarily responsible for offering services in asset management, securities advisory and corporate finance as well as providing financial advisory and investment management services to enterprises in Asia. He is currently a responsible officer of China Silk Road International Capital Limited. From August 1989 to September 1996, he was the chief financial officer of a Hong Kong listed company. From July 1985 to August 1989, Mr. Wong worked with an international audit firm. Please see the following table for the directorships in other listed companies held by Mr. Wong in the last three years.

Name of listed company	Position	Duration
Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) (SEHK stock code: 08509)	Independent non-executive director	December 2017 – present
Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) (SSE stock code: 600332, SEHK stock code: 00874)	Independent non-executive director	June 2017 – present
Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司) (SSE stock code: 900948, SEHK stock code: 03948)	Independent non-executive director	May 2017 – present
China Agri-Products Exchange Limited (中國農產品交易有限公司) (SEHK stock code: 00149)	Independent non-executive director	December 2016 – present
CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (SEHK Stock Code: 01786)	Independent non-executive director	November 2015 – present
Dongjiang Environmental Company Limited (東江環保股份有限公司) (SZSE stock code: 002672, SEHK stock code: 00895)	Independent non-executive director	June 2014 – present
AEON Credit Service (Asia) Co., Ltd. (SEHK stock code: 00900)	Independent non-executive director	October 2004 – present

Mr. Wong has been a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省委員會委員) since January 2013 and a member of the Nursing Council of Hong Kong since May 2014. He has also been a member of the Securities and Futures Appeals Tribunal since April 2017 and a member of the Construction Industry Council since February 2018.

The Directors are of the view that Mr. Wong will be able to devote sufficient time to discharge his responsibilities and functions as an independent non-executive director of the Bank because (i) Mr. Wong expects that the time to be spent for his above roles will occupy approximately 80% of his working time and the remaining 20% of his working time is sufficient for him to discharge his responsibilities as an independent non-executive Director; and (ii) Mr. Wong has extensive experience in acting as independent non-executive director of companies listed on the Hong Kong Stock Exchange, thus he will be able to handle the matters of the Bank efficiently. The Joint Sponsors concur with the Directors' view based on the reasons set out above.

Mr. Wong obtained his master's degree in business administration from The Chinese University of Hong Kong in December 1996. Mr. Wong has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1995, the Institute of Chartered Accountants in England and Wales since March 2015, the Chartered Association of Certified Accountants since July 1992, the Hong Kong Institute of Directors since April 2002 and the Institute of Chartered Secretaries and Administrators since June 1995. He has also been a member of the American Institute of Certified Public Accountants since February 1991 and a chartered member of the Chartered Institute for Securities & Investment since March 2011.

Ms. WANG Yun (王芸) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Bank.

Since May 2017, she has been an independent director of Jiangxi 3L Medical Products Group Co., Ltd. (江西3L醫用製品集團有限公司), a company primarily engaged in scientific research, production and sales of disposable medical high polymer products, medical equipment and purification equipment for medical use, where she has also served as a member of audit committee and remuneration and appraisal committee under the board of this company. Since September 1989, Ms. Wang has been with East China Jiaotong University and successively served as a teaching assistant, lecturer, head of accounting department, associate professor, deputy dean of faculty of economic management. She is currently a professor of accounting department of faculty of economic management as well as a supervisor of postgraduates. From September 2007 to January 2008, she was a visiting scholar at faculty of management, Fudan University (復旦大學) in Shanghai, China. Please see the following table for the directorships in other listed companies held by Ms. Wang.

Name of listed company	Position	Duration
Jiangxi Wannianqing Cement Co., Ltd. (江西萬年青水泥股份有限公司) (SZSE stock code: 000789)	Independent director	September 2012 – present
Anyuan Coal Industry Group Co., Ltd. (安源煤業集團股份有限公司) (Formerly known as Anyuan Industry Co., Ltd. (安源實業股份有限公司)) (SSE stock code: 600397) . .	Independent director	February 2012 – present April 2002 – November 2008
Jiangxi Special Electric Motor Co., Ltd. (江西特種電機股份有限公司) (SZSE stock code: 002176)	Independent director	December 2009 – May 2016

Name of listed company	Position	Duration
Winall Hi-tech Seed Co., Ltd. (安徽荃銀高科種業股份有限公司) (SZSE stock code: 300087)	Independent director	February 2008 – April 2014
Tellhow Sci-tech Co., Ltd. (泰豪科技股份有限公司) (SSE stock code: 600590)	Independent director	April 2003 – October 2009

Ms. Wang obtained a bachelor's degree in financial accounting and a master's degree in accounting from East China Jiaotong University in June 1993 and June 2005, respectively. She also obtained her doctorate degree in industrial economics from Jiangxi University of Finance and Economics in January 2009. Ms. Wang was accredited as a professor by Jiangxi Provincial Title Commission Office in November 2005.

BOARD OF SUPERVISORS

Mr. LIU Fulin (劉福林) is the chairman of the Board of Supervisors in charge of the office of the Board of Supervisors and audit department and an employee representative Supervisor, responsible for overall work of the Board of Supervisors and supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank. Mr. Liu is also a member of party committee of the Bank.

Mr. Liu joined the Bank as the chairman of the board of Supervisors in December 2015. From March 2010 to January 2016, Mr. Liu was with Financial Office of People's Government of Jiangxi Province (江西省政府金融辦) and successively served as the director of the division of capital market, a deputy head and the head. From July 1990 to March 2010, he was with Jiangxi Government and successively served as (i) a cadre, senior staff member and principal staff at the financial division of the General Office, (ii) the director of the financial division of the General Office in Bureau of Government Offices Administration (機關事務管理局), (iii) a deputy director and researcher of commercial and finance division (商金處) of the General Office, (iv) a deputy director and researcher of the financial division of the General Office and (v) the director of financial division General Office. From July 1985 to September 1988, Mr. Liu was a teacher and a teaching assistant at Jiangxi Institute of Economic Administrators (江西經濟管理幹部學院).

Mr. Liu obtained his bachelor's degree in mathematics from Jiangxi Normal University in July 1985 and master's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China, in January 1994.

Mr. SHI Zhongliang (史忠良) is an external Supervisor, primarily responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank.

From February 1995 to October 2004, Mr. Shi served as the principal and a professor of Jiangxi University of Finance and Economics. Please see the following table for the directorships in other listed companies held by Mr. Shi.

Name of listed company	Position	Duration
Jiangxi Changjiu Biochemical Industry Company Ltd. (江西昌九生物化工股份有限公司) (SSE stock code: 600228)	Independent director	September 2014 – present

Name of listed company	Position	Duration
Anyuan Coal Industry Group Co., Ltd. (安源煤業集團股份有限公司) (Formerly known as Anyuan Industry Co., Ltd. (安源實業股份有限公司)) (SSE stock code: 600397)	Independent director	April 2002 – November 2008
Jiangxi Hongcheng Waterworks Co., Ltd. (江西洪城水業股份有限公司) (SSE stock code: 600461)	Independent director	May 2005 – April 2010
Tellhow Polytron Technologies Co., Ltd. (泰豪科技股份有限公司) (SSE stock code: 600590)	Independent director	January 2001 – June 2006
Jiangxi Copper Company Limited (江西銅業股份有限公司) (SSE stock code: 600362, SEHK stock code: 0358) . .	Independent director	October 2000 – June 2006

Mr. Shi received his diploma in political economy from Fudan University in July 1967. Mr. Shi was accredited as a researcher by Jiangxi Title Reform Committee in June 1992.

Ms. LI Danlin (李丹林) is an external Supervisor, primarily responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank.

Since July 1986, Ms. Li has been a teacher of Communication University of China (中國傳媒大學) or its predecessors. She is currently a professor of faculty of arts and law.

Ms. Li obtained a bachelor's degree in law and a master's degree in economic law from Peking University in July 1986 and January 2002, respectively. She also obtained her doctorate degree in communication from Communication University of China (中國傳媒大學) in Beijing, China, in June 2011. In June 1993, Mr. Li was qualified as a lawyer by Beijing Municipal Bureau of Justice (北京市司法局).

Mr. SHI Jing is an external Supervisor, primarily responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank.

Mr. Shi has been a professor within the Faculty of Business & Economics of Macquarie University since February 2018. Prior to this, Mr. Shi was a professor of Royal Melbourne Institute of Technology University from March 2014 to February 2018. From February 1997 to March 2014, he was with The Australian National University and successively served as an associate lecturer, a lecturer of finance, a senior lecturer of finance and an associate professor of finance.

Mr. Shi obtained a bachelor's degree in finance from University of Otago in New Zealand in July 1998 and a doctorate degree in finance from the Australian National University in Australia in September 2001, respectively.

Mr. HUANG Zhenping (黃鎮萍) is a shareholder representative Supervisor, primarily responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank. Mr. Huang is also a shareholder supervisor of Jiangxi Financial Leasing.

Mr. Huang has been the principal of Pingxiang Huixiang, a company primarily engaged in the investment, construction and operation of infrastructure and municipal accessory facilities, since July 2016, where he has been responsible for overall management of this company. Since July 2011, Mr. Huang has been a party committee member and deputy head of management committee of Pingxiang Economic Development Zone (萍鄉經濟開發區). His previous working experiences include serving as (i) a member of the party group and assistant to head of Luxi County government from February 2009 to July 2011, (ii) the secretary to party committee of Luxi Town from February 2006 to February 2009, (iii) the deputy secretary to the party committee and town chief of Luxi Town from September 2005 to February 2006, (iv) the head of general office of county council of Luxi County from February 2004 to September 2005. From September 1994 to February 2004, Mr. Huang was with People's Court in Luxi County and took various positions including a deputy chief justice and a member of party group. From August 1993 to September 1994, he was a teacher at Pingxiang Luxi Changfeng Middle School (萍鄉市蘆溪縣長豐鄉學校).

Mr. Huang obtained a diploma in politics and history from Pingxiang Junior College (萍鄉高等專科學校) (currently known as Pingxiang University (萍鄉學院)) in Jiangxi Province, China, in July 1993 and completed his master program in economic law from Nanchang University in March 2004.

Mr. CHEN Chuxin (陳出新) is a shareholder representative Supervisor, primarily responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank.

Since June 2009, Mr. Chen has been the chairman of Jiangxi Fiscal Investment Management Co., Ltd. (江西省財政投資管理公司). From January 1989 to June 2009, Mr. Chen was with Jiangxi Provincial Department of Finance and successively served as a staff member, senior staff member, principal staff member and deputy head.

Mr. Chen obtained a bachelor's degree in national economic planning from Jiangxi Institute of Finance and Economics in July 1986. He also obtained a master's degree in computer technology from Huazhong University of Science and Technology (華中科技大學) in Hubei Province, China, in December 2001. He was accredited as a senior accountant by the General Office of Professional Title in Jiangxi Province (江西省職稱工作辦公室) in November 2005.

Mr. Chen Chuxin was the chairman of the board of Fuzhou Boyuan Real Estate Development Co., Ltd. (撫州博苑房地產開發有限公司) ("**Fuzhou Boyuan**"), a limited liability company established in the PRC in January 2011, which primarily engaged in real estate development. The business license of Fuzhou Boyuan was revoked in September 2016. As confirmed by Mr. Chen, the business license of Fuzhou Boyuan was being revoked as it had ceased its business for more than six months after it had completed the property development project. Mr. Chen confirmed that there was no wrongful act on his part leading to the revocation of the business license of Fuzhou Boyuan, and that no misconduct or misfeasance had been involved in the revocation of the business license of this company.

Mr. ZHOU Minhui (周敏輝) is a shareholder representative Supervisor, primarily responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank.

Since 1982, Mr. Zhou has been with Jiangxi Copper Company Limited (SSE stock code: 600362, SEHK stock code: 0358). From July 2016 to December 2017, he was the general manager of the financial management department of this company and was responsible for financial management.

Mr. Zhou completed his long distance learning courses in industrial accounting offered by Jiangxi Radio & TV University (江西廣播電視大學) in Jiangxi Province, PRC in July 1986. He also completed his correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in law in December 2004. Mr. Zhou was qualified as an accountant by the Ministry of Finance of the PRC in December 1992.

Ms. TAO Yulan (陶玉蘭) is an employee representative Supervisor, primarily responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank. Ms. Tao is also the general manager of the audit department of the Bank.

Ms. Tao joined the Bank when it was established and took various positions in the Bank, including (i) the head of an outlet of Technology Sub-branch, (ii) a deputy manager of the financial and accounting department of Technology Sub-branch, and (iii) a vice president of Zhongshan Road Sub-branch. Since May 2008, Ms. Tao has been the general manager of the audit department of the Bank. She has been an employee representative Supervisor since March 2009. Prior to joining the Bank, Ms. Tao was the head of an outlet of Nanchang Technology Credit Union (南昌科技信用社).

Ms. Tao obtained a college diploma in computer finance and accounting from Institute of Engineering of Nanchang Aircraft Manufacturing Company (南昌飛機製造公司工學院) in Jiangxi Province, China, in July 1998. He also completed her correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in economics management, in December 2003. Ms. Tao was accredited as a senior auditor by the General Office of Professional Title in Jiangxi Province in November 2010.

Mr. CHEN Xinxiang (陳新祥) is an employee representative Supervisor, primarily responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Bank. Mr. Chen is also a vice president of Jingdezhen Branch.

Mr. Chen joined the Bank in December 2015 and has served as an employee representative Supervisor of the Bank since then. Since August 2016, Mr. Chen has been a vice president of Jingdezhen Branch. From March 2016 to August 2016, Mr. Chen was a deputy general manager of the planning and finance department of the Bank. From July 2002 to December 2015, Mr. Chen was with Jingdezhen City Commercial Bank (formerly known as Jingdezhen Urban Credit Union), and successively served as a deputy manager of the planning and finance department, manager of business department and the manager of the planning and finance department. From August 1989 to November 1999, Mr. Chen was a teacher at Jingdezhen Grain School (景德鎮市糧食學校).

Mr. Chen obtained a diploma in physics from Jingdezhen College of Education (景德鎮教育學院) (currently known as Jingdezhen College (景德鎮學院)) in Jiangxi Province, China, in July 1989. He also passed the self-study examination and obtained a diploma in accounting from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in Hubei Province, China, in June 1999. Mr. Chen was accredited as an accountant by Ministry of Finance of the PRC in May 1998.

SENIOR MANAGEMENT

For biographical details of **Mr. LUO Yan (羅焱)** and **Mr. XU Jihong (徐繼紅)**, please see "– Executive Directors" in this section.

Mr. CHEN Yong (陳勇) Mr. Chen is a vice president of the Bank, primarily in charge of the general office of the Bank (general office of the party committee), compliance department, credit approval department and logistics service center.

Mr. Chen has more than 21 years of experience in the banking industry and has been a vice president of the Bank since June 2006. He joined the Bank in February 1998 and took various positions in the Bank, including (i) a deputy director of the general office of the Bank, (ii) the director of the general office of the Bank, (iii) the head of general office of party committee (黨委辦公室) of the Bank, (iv) a deputy secretary to the party committee, (v) he was the chairman of the labor union, (vi) a party committee member, director and vice president of the Bank. Prior to joining the Bank, Mr. Chen was a cadre at the preparatory office of Nanchang Coordination Bank (南昌市合作銀行) from November 1996 to February 1998. From October 1991 to November 1996, he was with Nanchang Branch of Jiangxi Corporation for International Economic and Technical Cooperation (江西國際經濟技術合作公司南昌分公司) (currently known as Nanchang International Technology Cooperation Co., Ltd. (南昌國際經濟技術合作公司)), a company primarily engaged in overseas labor service dispatch and foreign engineering contracting, where he successively served as an engineer, deputy director of manager office, manager of international cooperation division I, manager of labor division I and assistance to general manager. From August 1982 to October 1991, Mr. Chen successively served as a technologist and a deputy factory director of a branch at Jiangxi National Pharmaceutical Factory (江西國藥廠).

Mr. Chen obtained a bachelor's degree in inorganic chemical industry and a bachelor's degree in law from Jiangxi Polytechnic College (江西工學院) (currently known as Nanchang University) and Jiangxi Normal University in July 1982 and April 2001, respectively. He also obtained a master of business administration from New York Institute of Technology in the U. S. in May 2008. Mr. Chen was accredited as a senior engineer by Jiangxi Title Reform Committee in November 1995.

Mr. CHENG Zongli (程宗禮) is a vice president of the Bank, primarily in charge of corporate banking department, financial markets department, international business department, investment banking department and operation management department.

Mr. Cheng has more than 23 years of experience in the banking industry. Mr. Cheng joined the Bank when it was established and took various positions in the Bank, including (i) a deputy director of asset risk management department, (ii) a deputy manager of special assets management department, (iii) a vice president of Yongxing Sub-branch and Minde Sub-branch, (iv) a deputy general manager of corporate business department, (v) the general manager of credit management department, (vi) the president of Railway Sub-branch, and (vii) a vice president and member of party committee of the Bank. Since April 2011, Mr. Cheng has been the Bank's vice president. Mr. Cheng's previous working experiences also include serving as (i) a clerk in Nanchang City Credit Union (南昌城市信用社) from October 1994 to August 1997 and (ii) a physician at Nanchang No. 9 Hospital (南昌市第九醫院) from August 1989 to October 1994.

Mr. Cheng obtained a bachelor's degree in clinical medicine from Jiangxi Medical College (江西醫學院) (currently known as the medical school of Nanchang University) in June 1989. He also obtained a bachelor's degree in money and banking by completing the correspondence course offered by Peking University in July 1999 and a master of business administration degree from Nanchang University in January 2010. Mr. Cheng was qualified as a senior economist by the General Office of Professional Title in Jiangxi Province in November 2016.

Mr. CAI Xiaojun (蔡小俊) is a vice president of the Bank, primarily in charge of personal banking department, credit card department, information and technology department, internet finance department and small-enterprise credit center.

Mr. Cai has approximately 24 years of experience in the banking industry. Prior to joining the Bank, Mr. Cai was with the CBRC Jiangxi Office (中國銀行業監督管理委員會江西監管局) from October 2003 to August 2011 and held various positions successively, including (i) a principal staff member of supervision division of Industrial and Commercial Bank of China (工行監管處), (ii) a deputy director of supervision division of Industrial and Commercial Bank of China, (iii) a deputy director and party committee member of CBRC Jingdezhen Bureau (景德鎮銀監分局), (iv) a deputy director of statistical and information division (統計信息處), and (v) a deputy director of supervision division of city commercial banks(城市商業銀行監管處). From September 1994 to October 2003, Mr. Cai was with PBoC and successively served as (i) a staff member of the planning department of Financial Research Institution of PBoC Jiangxi Branch (中國人民銀行江西省分行金融研究所), (ii) a vice president of PBoC Jiangxi Xiushui County Sub-branch (中國人民銀行江西省修水縣支行), (iii) a deputy section chief of the general department of planning and fund division in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦計劃資金處綜合科), (iv) a deputy section chief of the general division in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦綜合處) and (v) a principal staff member of the general division in PBoC Nanchang Supervision Office, supervision division of banks in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦銀行檢查處) and supervision division of Industrial and Commercial Bank of China.

Mr. Cai obtained a bachelor's degree in applied mathematics, a master's degree in operational research and cybernetics and a master of business administration from Huazhong College of Engineering (華中工學院) (currently known as Huazhong University of Science and Technology), Fudan University, Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, China, in July 1986, July 1994 and December 2002, respectively. Mr. Cai was qualified as a senior economist by Senior Professional and Technical Qualification of Economist Review Committee of PBoC (中國人民銀行經濟系列高級專業技術資格評審委員會) in October 2004.

Except as disclosed in this prospectus, each of the Directors, Supervisors and members of the senior management (i) did not hold other positions in the Group as of the Latest Practicable Date; (ii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. For the Directors' and Supervisors' interests in the Shares within the meaning of Part XV of the SFO, please see "Appendix VII – Statutory and General Information".

None of the Directors are interested in any business, apart from the Bank's business, which competes or is likely to compete, either directly or indirectly, with the Bank's business under Rule 8.10(2) of the Listing Rules.

Except as disclosed herein, to the best of the knowledge, information and belief of the Directors and Supervisors, having made all reasonable inquiries, there were no additional matters with respect to the appointment of the Directors or Supervisors that need to be brought to the attention of the Shareholders and there were no additional information relating to the Directors or Supervisors that are required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. XU Jihong (徐繼紅), is a joint company secretary of the Bank. For biographical details of Mr. Xu, please see "– Executive Directors".

Dr. Ngai Wai Fung (魏偉峰) is a joint company secretary of the Bank. Dr. Ngai is currently a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited and had served as the president of the Hong Kong Institute of Chartered Secretaries from 2014 to 2015. Dr. Ngai possesses substantial company secretarial experience. Dr. Ngai became a fellow member of the Hong Kong Institute of Chartered Secretaries in November 2000, a fellow member of the Institute of Chartered Secretaries and Administrators in November 2000, a member of the Hong Kong Institute of Certified Public Accountants in July 2007, and a fellow member of the Association of Chartered Certified Accountants in March 2012. Dr. Ngai was a member of the Working Group on Professional Services under the Economic Development Commission by the Chief Executive of the Hong Kong Special Administrative Region from January 2013 to March 2018. He was appointed as a member of the Qualifications and Examinations Board by the Hong Kong Institute of Certified Public Accountants and a Finance Expert Consultant by the MOF in January 2013 and June 2016, respectively.

Dr. Ngai obtained a master's degree in business administration from Andrews University of Michigan in the United States in August 1992, a bachelor's degree (Honours) in law from the University of Wolverhampton in the United Kingdom in October 1994, a master's degree in corporate finance from the Hong Kong Polytechnic University in November 2002, and a doctoral degree in finance from the Shanghai University of Finance and Economics in June 2011.

COMMITTEES UNDER THE BOARD OF DIRECTORS

The Bank currently has seven special committees under the Board, which are the strategic committee, the audit committee, the related party transactions control committee, the risk management committee, the remuneration and nomination committee, information and technology management committee, and consumer rights protection committee. These committees operate in accordance with their respective terms of reference established by the Board.

Strategic Committee

The Bank has established a strategic committee with written terms of reference. The strategic committee consists of four Directors, being Mr. CHEN Xiaoming, Mr. QUE Yong, Mr. GUO Tianyong and Mr. TANG Xianqing. The chairperson of the strategic committee is Mr. CHEN Xiaoming. The primary duties of the strategic committee include, among others, the following:

- formulating the Bank's long-term development strategy, business objectives, and supervising and evaluating the strategy implementation on a regular basis;
- setting capital adequacy goals which is compatible with the Bank's development strategy;
- supervising and inspecting the implementation of the Bank's annual operational plans, investment plans as well as venture capital allocation;
- setting the strategic objectives of the Bank's green credit, supervising and evaluating the implementation of the development strategy of the Bank's green credit;
- regularly evaluating and improving the Bank's corporate governance;
- working out the implementation plan of the new capital management, evaluating the implementation of the new capital management; and
- performing other responsibilities delegated by the Board of Directors.

Audit Committee

The Bank has established an audit committee with written terms of reference in compliance with the requirements under the Listing Rules. The audit committee consists of five Directors, being Ms. ZHANG Rui, Mr. LI Zhanrong, Ms. CHEN Yu, Mr. GUO Tianyong and Mr. WONG Hin Wing. The chairperson of the audit committee is Ms. ZHANG Rui. The primary duties of the audit committee include, among others, the following:

- conducting inspections on the Bank's compliance, accounting policies, financial reporting procedures as well as the financial wellbeing;
- organizing and leading the Bank's annual audit work;
- guiding and supervising the Bank's internal audit work;
- conducting inspections on the Bank's risk management and compliance conditions and reviewing the financial report;
- supervising and evaluating the internal control system;
- supervising and evaluating the external auditors, including advising on the engagement or the change of external auditors and monitoring the relationship between the Bank and the external auditors;
- coordinating internal auditors and external auditors and ensuring the coordination between their work;
- ensuring the truthfulness, accuracy and completeness of the financial reports during the audit process and submitting them to the Board of Directors for review;
- conducting inspections on the Bank's internal control system; and
- performing other responsibilities delegated by the Board of Directors.

Related Party Transactions Control Committee

The Bank has established a related party transactions control committee with written terms of reference. The related party transactions control committee consists of five Directors, being Mr. GUO Tianyong, Ms. CHEN Yu, Mr. DENG Jianxin, Ms. ZHANG Rui and Ms. WANG Yun. The chairperson of the related party transactions control committee is Mr. GUO Tianyong. The primary duties of the related party transactions control committee include, among others, the following:

- formulating internal policies in accordance with relevant laws and regulations;
- identifying related parties and connected persons of the Bank and reporting to the Board of Director and Board of Supervisors according to relevant laws and regulations;
- reviewing and approving the Bank's related party transactions and connected transactions in accordance with relevant laws and regulations; and
- performing other responsibilities as authorized by the Board of Directors.

Risk Management Committee

The Bank has established a risk management committee with written terms of reference. The risk management committee consists of six Directors, being Mr. ZENG Zhibin, Mr. LI Zhanrong, Mr. LIU Sanglin, Mr. DENG Jianxin, Ms. ZHANG Wangxia and Mr. WONG Hin Wing. The chairperson of the risk management committee is Mr. ZENG Zhibin. The primary duties of the risk management committee include, among others, the following:

- supervising and evaluating the implementation of the risk management strategies of the Bank;
- formulating risk management policies that are compatible with the Bank's development strategy and the external circumstances;
- supervising the Bank's control over various risks including credit risk, market risk, liquidity risk, operational risk, reputational risk, and legal and compliance risk;
- conducting periodic evaluation upon the Bank's risk management policies, management status as well as risk tolerance capabilities and advising on the Bank's risk management system;
- studying the major investigation result of risk management and senior management's feedback; and
- performing other responsibilities as authorized by the Board of Directors.

Remuneration and Nomination Committee

The Bank has established a remuneration and nomination committee with written terms of reference in compliance with the requirements under the Listing Rules. The remuneration and nomination committee consists of five Directors, being Ms. ZHANG Wangxia, Mr. ZENG Zhibin, Mr. GUO Tianyong, Ms. ZHANG Rui and Ms. WANG Yun. The chairperson of the nomination and remuneration committee is Ms. ZHANG Wangxia. The primary duties of the nomination and remuneration committee include, among others, the following:

Nomination Duties

- reviewing the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of the Bank;
- formulating the criteria and procedures for selecting Directors and senior management members, and making recommendations to the Board;
- identifying candidates for Directors and senior management members, and making recommendations to the Board; and
- conducting the preliminary examination of qualifications of candidates for directorships and senior management positions, and making recommendations to the Board on the selection.

Remuneration and Appraisal Duties

- contemplating the criteria for appraising Directors and senior management members, conducting the appraisal, and submitting the appraisement reports to the Board;

- reviewing the system and policy of the Bank's remuneration management, contemplating and reviewing the policy and structure for all Directors' and senior management's remuneration and contemplating the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board;

- reviewing and approving compensations payable to Directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate.

Information and Technology Management Committee

The Bank has established an information and technology management committee with written terms of reference. The information and technology management committee consists of four Directors, being Mr. QUE Yong, Mr. LIU Sanglin, Mr. TANG Xianqing and Ms. WANG Yun. The chairperson of the information and technology management committee is Mr. QUE Yong. The primary duties of the information and technology management committee include, among others, the following:

- reviewing the information technology strategy and budget plan to make sure their consistence with the Bank's overall development strategy;

- Identifying major information technology risks;

- supervising the implementation of the measures to control information technology risk;

- reporting to the Board of Directors on a regular basis on the implementation of information technology strategy; and

- performing other responsibilities delegated by the Board of Directors.

Consumer Rights Protection Committee

The Bank has established a consumer rights protection committee with written terms of reference. The consumer rights protection committee consists of four Directors, being Mr. LIU Sanglin, Ms. CHEN Yu, Ms. ZHANG Rui and Ms. WANG Yun. The primary duties of the consumer rights protection committee include, among others, the following:

- formulating the strategies, policies and objectives with respect to the consumer rights protection and stimulating the operation management to implement and safeguard the legitimate rights and interests of depositors and other stakeholders;

- supervising and evaluating the comprehensiveness, timeliness and effectiveness of the Bank's practice of consumer rights protection and relevant duties of senior management;

- reviewing the annual self-assessment report on consumer rights protection;
- reviewing other major matters relating to the consumer rights protection; and
- performing other responsibilities delegated by the Board.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

The Bank has established two committees under the Board of Supervisors: the supervision committee and the nomination committee. These committees operate in accordance with terms of reference established by the Board of Supervisors.

Supervision Committee

The supervision committee consists of five Supervisors, being Ms. Li Danlin, Mr. Chen Chuxin, Mr, Zhou Minhui, Mr. Chen Xinxiang and Ms. Tao Yulan. The chairman of the supervision committee is Ms. Li Danlin. The primary duties of the supervision committee include, among others, the following:

- formulating supervision plans to monitor the Bank's financial activities;
- supervising the establishment of prudent business operational concepts, value criterion and development strategies by the Board;
- supervising and examining the Bank's operation decisions, risk management and internal control; and
- performing other responsibilities delegated by the Board of Supervisors.

Nomination Committee

The nomination committee consists of five Supervisors, being Mr. Shi Zhongliang, Mr. Liu Fulin, Mr. Shi Jing, Mr. Huang Zhenping and Ms. Tao Yulan. The chairman of the nomination committee is Mr. Shi Zhongliang. The primary duties of the nomination committee include, among others, the following:

- advising on the scale and composition of the Board of Supervisors based on the Bank's operation conditions, asset scale as well as the shareholding structures;
- studying the criteria and procedures for selecting Supervisors, and providing advice to the Board of Supervisors;
- conducting preliminary review on the qualifications of Supervisor candidates, and providing advice accordingly; and
- making comprehensively assessment of the performance of the Directors, Supervisors and senior management of the Bank and reporting to the Board of Supervisors accordingly.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The compensation and remuneration of the Directors, Supervisors and members of the senior management of the Bank are determined by the Shareholders' general meetings and the Board, in the form of salaries and bonuses. The Bank also reimburses them for expenses which are necessary and reasonably incurred in providing services to the Bank or discharging their duties in relation to the operations of the Bank. When reviewing and determining the specific remuneration packages for the Directors, Supervisors and members of the senior management of the Bank, the Shareholders' meetings and the Board take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in the Group and performance. As required by the relevant PRC laws and regulations, the Bank also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of the Bank, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

The Bank offers executive Directors, employee representative Supervisors and senior management members, who are also employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors receive compensation based on their responsibilities.

The aggregate amounts of remuneration before tax paid to the Directors in 2015, 2016 and 2017 were approximately RMB11.0 million, RMB7.2 million, and RMB8.6 million, respectively.

The aggregate amounts of remuneration before tax paid to the Supervisors in 2015, 2016 and 2017 were approximately RMB2.1 million, RMB4.4 million, and RMB5.0 million, respectively.

The aggregate amounts of remuneration before tax paid to the senior management (excluding those who were also Directors or Supervisors concurrently for the relevant period) in 2015, 2016 2017 were approximately RMB5.6 million, RMB8.0 million, and RMB9.5 million, respectively.

The aggregate amounts of remuneration before tax paid to the five highest paid individuals in 2015, 2016 and 2017 were approximately RMB10.2 million, RMB11.4 million, and RMB13.4 million, respectively.

It is estimated that remuneration equivalent to approximately RMB7.1 million, RMB4.2 million and RMB7.4 million will be paid to the Directors, Supervisors and senior management (excluding those who are also Directors or Supervisors) by the Bank for the year ending December 31, 2018 based on the arrangements in force as of the date of this prospectus.

No remuneration was paid by the Bank to the Directors, Supervisors or the five highest paid individuals as inducement to join or upon joining the Bank or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors or Supervisors had waived or agreed to waive any remuneration during the same periods.

COMPLIANCE ADVISOR

The Bank has appointed SPDB International Capital Limited as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise the Bank in the following circumstances.

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

- where the Bank proposes to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where the Bank's business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and

- where the Hong Kong Stock Exchange makes an inquiry of the Bank regarding unusual movements in the price or trading volume of the H Shares, the possible development of a false market in the H Shares or any other matters.

The terms of the appointment of the compliance advisor will commence on the Listing Date and end on the date when the Bank distributes the annual report of its financial results for the first full financial year commencing after the Listing Date.

So far as the Directors are aware, immediately following the completion of the Global Offering, the following persons will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Bank 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 the general meetings of the Bank:

			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 of Shares**	**Number of Shares directly or indirectly held**	**Approximate% of interest in the Bank**	**Approximate% of the relevant class of Shares**	**Number of Shares directly or indirectly held**	**Approximate% of interest in the Bank**	**Approximate% of the relevant class of Shares**
Jiangxi Expressway Investment(1)	Beneficial owner	Domestic Shares	937,651,339	16.03%	20.04%	937,651,339	15.56%	20.04%
Jiangxi Financial Holding(2)	Beneficial owner	Domestic Shares	347,546,956	5.94%	7.43%	347,546,956	5.77%	7.43%
Asset Management Center of Administrative Institutions in Jiangxi Province (江西省行政事業單位資產管理中心)(2) ("**Asset Management Center**")	Interest in controlled corporation	Domestic Shares	347,546,956	5.94%	7.43%	347,546,956	5.77%	7.43%

Notes:

(1) Jiangxi Expressway Investment is the largest Shareholder and one of the state-owned Shareholders. It is wholly-owned by Jiangxi Provincial Department of Transportation (江西省交通運輸廳).

(2) Jiangxi Financial Holding is the second largest Shareholder and one of the state-owned Shareholders. It is wholly-owned by Asset Management Center, which is wholly owned by Jiangxi Provincial Department of Finance (江西省財政廳). By virtue of the SFO, Asset Management Center is deemed to be interested in the Domestic Shares held by Jiangxi Financial Holding.

As of the Latest Practicable Date, the total issued share capital of the Bank was RMB4,678,776,901 divided into 4,678,776,901 Domestic Shares with a nominal value of RMB1.00 each.

Immediately after completion of the Global Offering and assuming the Over-Allotment Option is not exercised, the total issued share capital of the Bank would be as follows:

Class of Shares	Number of Shares	Approximate percentage of share capital
Domestic Shares	4,678,776,901	80%
H Shares to be issued pursuant to the Global Offering	1,170,000,000	20%
Total	**5,848,776,901**	**100%**

Assuming the Over-allotment Option is exercised in full, the total issued share capital of the Bank would be as follows:

Class of Shares	Number of Shares	Approximate percentage of share capital
Domestic Shares	4,678,776,901	77.67%
H Shares to be issued pursuant to the Global Offering	1,345,500,000	22.33%
Total	**6,024,276,901**	**100%**

THE SHARES

Upon completion of the Global Offering, the Bank would have two classes of Shares, namely Domestic Shares and H Shares. Both Domestic Shares and H Shares are ordinary shares in the share capital of the Bank. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold the Bank's H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, the Bank's H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC.

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 holders of such class of shares at a separate shareholders' general meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class of shareholders are listed in "Appendix V – Summary of Articles of Association". However, the procedures for approval by separate classes of Shareholders do not apply: (i) where the Bank issues, upon approval by a special resolution of the Shareholders in a general meeting, Shares representing no more than 20% of each of the existing issued Domestic Shares and H Shares, either separately or concurrently once every 12 months; (ii) where the Bank's plan to issue Domestic Shares and H Shares at the time of the establishment of the Bank 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 the unlisted shares into overseas listed shares for listing and trading abroad by the Shareholders upon the approval by the banking regulatory authorities and the securities regulatory authorities.

RANKING

Domestic Shares and H Shares are regarded as different classes of shares under the Articles of Association. The differences between Domestic Shares and H Shares and the provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of Shares on different registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set forth in the Articles of Association and summarized in "Appendix V – Summary of Articles of Association".

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 the Bank in Hong Kong Dollars whereas all dividends in respect of Domestic Shares are to be paid by the Bank in Renminbi. In addition to cash, dividends may be distributed in the form of shares.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

According to stipulations by the State Council securities regulatory authority and the Articles of Association, the Domestic Shares may be converted into H 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 only be effected after all requisite internal approval process have been duly completed and the approval from the relevant PRC regulatory authorities (including the CSRC) and the relevant overseas stock exchange have been obtained. In addition, such conversion and trading shall in all respects comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted to H Shares to be traded on the Hong Kong Stock Exchange, such conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. Subject to fulfilling the procedures below, the Bank 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 so 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 the Bank's 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 prior application for listing as at the time of the Bank's initial listing in Hong Kong. A vote by the shareholders in separate class meetings is not required for the listing and trading of the converted shares on an overseas stock exchange. Any listing of the converted shares on the Hong Kong Stock Exchange after the initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited, and the Bank will re-register such Shares on the H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on the H Share register of the Bank will be on the conditions that (i) the 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 be traded 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 the H Share register of the Bank, such shares would not be listed as H Shares.

LOCK-UP PERIODS

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by the company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Bank prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

The Directors, Supervisors and members of the senior management of the Bank shall declare their shareholdings in the Bank and any changes in their shareholdings. Shares transferred by the Bank's Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in the Bank. The Shares that the aforementioned persons held in the Bank cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in the Bank. The Articles of Association may contain other restrictions on the transfer of the Shares held by the Directors, Supervisors and members of senior management of the Bank.

In accordance with the Notice on the Regulation of Internal Staff Shares in Financial Enterprises (《關於規範金融企業內部職工持股的通知》) for the regulation of the listing and circulation of staff shares and the strengthening of the management of secondary market circulation of such, a financial enterprise (which is listed or will be listed in the future) shall take steps to regulate the secondary market circulation of its staff shares which are held by its senior management, or individuals holding more than 50,000 staff shares. The aforementioned members of senior management or individuals shall undertake not to transfer the shares held by them within three years from the date of listing of the financial enterprise. After the lapse of the lock-up period, the shares transferred by each of them in each year shall not exceed 15% of their respective total shareholdings in the financial enterprise. The aggregate number of shares transferred by them within five years of the lapse of the lock-up period shall not exceed 50% of their respective total shareholdings in the financial enterprise. Apart from the six-month lockup on the Bank's issue of Shares and the 12-month lockup on the controlling shareholders' disposal of shares, the laws of Hong Kong do not provide for restrictions related to shareholding volume or share transfers.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which the Shareholders' general meeting and Shareholders' class meeting are required, see subsections "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".

You should read the discussion and analysis set forth in this section in conjunction with the Group's historical financial information, together with the accompanying notes included in Appendix I attached to this prospectus. The Group's historical financial information has been prepared in accordance with IFRS. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors".

ASSETS

The Group's total assets increased by 48.4% from RMB211,448.8 million as of December 31, 2015 to RMB313,740.8 million as of December 31, 2016, and further increased by 17.9% to RMB370,005.3 million as of December 31, 2017, primarily due to (i) an increase in Investments (which consists of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables, collectively known as "Investments") as a result of the Group's efforts to expand and diversify its business in the financial markets; and (ii) an increase in the financial assets held under resale agreements primarily as a result of the Group entering into more reverse repurchase transactions to manage liquidity and to obtain higher returns. The increase in the Group's total assets was also attributed to the increase in gross loans and advances to customers as a result of the Group's continued efforts to grow its corporate banking and retail banking business. The principal components of the Group's assets consist of (i) loans and advances to customers, net, and (ii) Investments, representing 33.8% and 50.9%, respectively, of the Group's total assets as of December 31, 2017. The following table sets forth the components of the Group's total assets as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Gross loans to customers	85,641.8	40.5%	107,983.2	34.4%	129,341.7	35.0%
Allowance for impairment losses	(3,388.4)	(1.6)%	(3,829.6)	(1.2)%	(4,572.3)	(1.2)%
Loans and advances to customers, net	82,253.4	38.9%	104,153.6	33.2%	124,769.4	33.8%
Investments						
Financial assets at fair value through profit or loss	5,367.7	2.5%	71.3	–	587.8	0.2%
Available-for-sale financial assets	12,004.4	5.7%	74,615.1	23.8%	59,606.1	16.1%
Held-to-maturity investments	16,586.4	7.8%	20,063.2	6.4%	25,620.4	6.9%
Investments classified as receivables	45,724.0	21.6%	62,582.4	19.9%	102,615.4	27.7%
Subtotal	79,682.5	37.6%	157,332.0	50.1%	188,429.7	50.9%
Cash and deposits with central bank	26,984.0	12.8%	34,820.5	11.1%	40,039.2	10.8%
Deposits with banks and other financial institutions	6,816.8	3.2%	4,625.0	1.5%	1,818.2	0.5%
Placements with banks and other financial institutions	–	–	–	–	500.0	0.1%
Financial assets held under resale agreements	10,093.5	4.8%	5,658.0	1.8%	6,180.1	1.7%
Interest in associates	116.1	0.1%	117.2	–	129.3	–
Property and equipment	2,413.1	1.1%	2,520.7	0.8%	2,642.9	0.7%
Deferred tax assets	826.0	0.4%	1,146.6	0.4%	1,522.6	0.4%
Other assets[1]	2,263.4	1.1%	3,367.2	1.1%	3,973.9	1.1%
Total assets	**211,448.8**	**100.0%**	**313,740.8**	**100.0%**	**370,005.3**	**100.0%**

Note:

(1) Consist primarily of interest receivable, suspense account for clearing, long-term deferred expenses, intangible assets, repossessed assets, prepayments for acquisition of property and equipment, investment property, input VAT to be credited, land use right and others.

Loans to Customers

Loans to customers are a substantial component of the Group's assets. The Group's loans to customers, net of allowance for impairment losses, accounted for 38.9%, 33.2% and 33.8% of the Group's total assets as of December 31, 2015, 2016 and 2017, respectively. The Group provides a broad range of loan products to the Group's customers through the Group's distribution network. Substantially all of the Group's customer loans are denominated in Renminbi. Except as otherwise indicated, the following discussions are based on the Group's gross loans to customers before taking into account the related allowance for impairment losses, rather than on the Group's net loans to customers. The Group's loans to customers are reported net of the allowance for impairment losses on the Group's statement of financial position.

The Group's gross loans to customers increased by 26.1% from RMB85,641.8 million as of December 31, 2015 to RMB107,983.2 million as of December 31, 2016, and further increased by 19.8% to RMB129,341.7 million as of December 31, 2017, primarily due to the Group's continued efforts to grow the Group's corporate banking and retail banking businesses.

Distribution of Loans by Business Line

The Group's loans to customers consist of corporate loans, personal loans, and discounted bills. For a description of the loan products the Group offers, please see "Business – The Group's Principal Business Activities". The following table sets forth the Group's loans to customers by business line as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate loans[1]	63,538.7	74.2%	78,156.3	72.4%	82,109.0	63.5%
Personal loans	19,003.4	22.2%	26,378.7	24.4%	44,026.2	34.0%
Discounted bills	3,099.7	3.6%	3,448.2	3.2%	3,206.5	2.5%
Total loans to customers	**85,641.8**	**100.0%**	**107,983.2**	**100.0%**	**129,341.7**	**100.0%**

Note:

(1) Consists of corporate loans the Group granted in managing its financial leasing business. For details, please see "Business – Financial Leasing Company".

Corporate Loans

During the Track Record Period, corporate loans were the largest component of the Group's loan portfolio, representing 74.2%, 72.4% and 63.5% of the Group's total loans to customers as of December 31, 2015, 2016 and 2017, respectively. The Group's corporate loans increased by 23.0% from RMB63,538.7 million as of December 31, 2015 to RMB78,156.3 million as of December 31, 2016 primarily due to the Group's continued effort to grow the corporate banking business especially by offering preferential loans to small and medium size enterprises in Jiangxi Province and increases in financial lease. As of December 31, 2017, the Group's corporate loans increased by 5.1% to RMB82,109.0 million primarily due to the expansion of the corporate banking business.

Distribution of Corporate Loans by Contract Maturity

The following table sets forth the distribution of the Group's corporate loans by contract maturity as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Short-term loans and advances[(1)]	40,808.4	64.2%	42,077.1	53.8%	37,160.9	45.3%
Medium- and long-term loans[(2)]	22,730.3	35.8%	36,079.2	46.2%	44,948.1	54.7%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Notes:

(1) Consists of loans with contract maturity of one year or less and advances.

(2) Consists of loans with contract maturity of more than one year.

Short-term loans accounted for 64.2%, 53.8% and 45.3% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017, respectively.

Medium- and long-term loans accounted for 35.8%, 46.2% and 54.7% of the Group's corporate loans as of December 31, 2015, 2016 and 2017, respectively.

The changes in the maturity structure of the Group's corporate loans from 2015 to 2017 were primarily due to the changes in the market demand for loans with different maturity.

Distribution of Corporate Loans by Product Type

The following table sets forth the distribution of the Group's corporate loans by product type as of the dates indicated. For details of each type of the Group's corporate loans, please see "Business – The Group's Principal Business Activities – Corporate Banking – Corporate Loans".

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Working capital loans	44,470.3	70.0%	49,162.6	62.9%	45,054.4	54.9%
Fixed asset loans	16,716.9	26.3%	21,564.6	27.6%	25,885.3	31.5%
Financial lease	1,659.3	2.6%	6,958.1	8.9%	9,711.2	11.8%
Other[(1)]	692.2	1.1%	471.0	0.6%	1,458.1	1.8%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Note:

(1) Consists primarily of trade finance, advances under acceptance bill and syndicated loans

During the Track Record Period, working capital loans were the largest component of the Group's corporate loans, representing 70.0%, 62.9% and 54.9% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017. The Group's working capital loans increased by 10.6% from RMB44,470.3 million as of December 31, 2015 to RMB49,162.6 million as of December 31, 2016, primarily due to the increase in market demand for working capital loans. The Group's working capital loans decreased by 8.4% to RMB45,054.4 million as of December 31, 2017 primarily due to the Group's efforts in promoting other types of corporate loans in line with its risk management policy.

Fixed asset loans accounted for 26.3%, 27.6%, and 31.5% of the Group's total corporate loans as of December 31, 2015, 2016, and 2017, respectively. The Group's fixed asset loans increased by 29.0% from RMB16,716.9 million as of December 31, 2015 to RMB21,564.6 million as of December 31, 2016, and further increased by 20.0% to RMB25,885.3 million as of December 31, 2017 primarily because the Group increased loans to infrastructure projects, particularly in water conservation and environmental protection.

Financial lease consists of accounts receivables generated from the Group's subsidiary, Jiangxi Financial Leasing, which was established in November 2015, and accounted for 2.6%, 8.9%, and 11.8% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017, respectively. The Group's financial lease increased substantially by 319.3% from RMB1,659.3 million as of December 31, 2015 to RMB6,958.1 million as of December 31, 2016 and further increased by 39.6% to RMB9,711.2 million as of December 31, 2017, primarily reflecting the growth of the Group's newly established financial leasing business.

Other corporate loans consist primarily of trade finance, advances under acceptance bills and syndicated loans. Other corporate loans accounted for 1.1%, 0.6% and 1.8% of the Group's total corporate loans as of December 31 2015, 2016 and 2017. The Group's other corporate loans decreased by 32.0% from RMB692.2 million as of December 31, 2015 to RMB471.0 million as of December 31, 2016, primarily due to the decrease in advances under acceptance bills. The Group's other corporate loans increased significantly from RMB471.0 million as of December 31, 2016 to RMB1,458.1 million as of December 31, 2017, primarily due to the increase in syndicate loans and advances under acceptance bills in 2017.

Distribution of Corporate Loans by Industry

The Group's corporate loans consist of loans to corporate customers in a broad range of industries. The following table sets forth the distribution of the Group's corporate loans by industry classification as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Wholesale and retail trade	20,390.6	32.0%	21,182.0	27.0%	19,320.7	23.5%
Water conservancy, environment and public facility management	3,530.8	5.6%	10,112.3	12.9%	14,806.3	18.0%
Manufacturing	8,391.8	13.2%	11,304.3	14.5%	9,761.7	11.9%
Leasing and commercial services	4,380.8	6.9%	7,567.1	9.7%	9,574.7	11.7%
Real estate	8,989.9	14.1%	7,026.7	9.0%	7,893.7	9.6%
Construction	8,752.0	13.8%	8,986.0	11.5%	7,795.1	9.5%
Transportation, storage and postal services	1,456.4	2.3%	1,817.1	2.3%	1,787.1	2.2%
Accommodation and catering	1,557.9	2.5%	1,614.6	2.1%	1,754.4	2.1%
Education	1,382.7	2.2%	1,614.1	2.1%	1,424.2	1.7%
Health, social security and social welfare	574.5	0.9%	1,142.4	1.5%	1,401.3	1.7%
Production and distribution of electricity, heating power, gas and water	778.4	1.2%	1,266.3	1.6%	1,369.3	1.7%
Public administration, social security and social organizations	454.8	0.7%	696.1	0.9%	1,262.0	1.5%
Agriculture, forestry, animal husbandry and fishery	1,333.1	2.1%	1,411.0	1.8%	1,188.6	1.5%
Culture, sports and entertainment	145.6	0.2%	969.7	1.2%	1,039.0	1.3%
Others[1]	1,419.4	2.3%	1,446.6	1.9%	1,730.9	2.1%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Note:

(1) Others consists primarily of the following: (i) finance, (ii) information transmission, computer services and software, (iii) mining, (iv) resident services, maintenance and other services, (v) scientific research, technical services and geological prospecting.

The aggregate balance of loans to the Group's corporate borrowers in the (i) wholesale and retail trade industries, (ii) water conservancy, environment and public facility management industries, (iii) manufacturing industry, (iv) leasing and commercial services industries, and (v) real estate industry, being the top five industries in terms of the Group's aggregate corporate loan exposure as of December 31, 2017, collectively accounted for 71.8%, 73.1% and 74.7% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017, respectively.

The Group's loans to corporate borrowers in the wholesale and retail trade industries amounted to RMB20,390.6 million, RMB21,182.0 million and RMB19,320.7 million as of December 31, 2015, 2016 and 2017, respectively and this accounted for 32.0%, 27.0% and 23.5% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017, respectively. The Group's loans to corporate borrowers in the wholesale and retail trade industries increased by 3.9% from RMB20,390.6 million as of December 31, 2015 to RMB21,182.0 million as of December 31, 2016 primarily because of the Group's efforts in developing more quality clients in industries with strong market potential, such as wholesale and retail enterprises in Jiangxi Province. The Group's loans to corporate borrowers in the wholesale and retail trade industries decreased by 8.8% to RMB19,320.7 million as of December 31, 2017 primarily due to the Group's policy in reducing and controlling credit extensions to certain wholesale and retail enterprises.

The Group's loans to corporate borrowers in the water conservancy, environment and public facility management industries accounted for 5.6%, 12.9% and 18.0% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017, respectively. The Group's loans to corporate borrowers in the water conservancy, environment and public facility management industries increased substantially by 186.4% from RMB3,530.8 million as of December 31, 2015 to RMB10,112.3 million as of December 31, 2016, and further increased by 46.4% to RMB14,806.3 million as of December 31, 2017 primarily because (i) the Group actively adjusted its loan portfolio based on changes in national macro-economic policies and extended more credit to environment and public facility management enterprises; and (ii) the Group extended more credit from the proceeds raised from the green bond. Please also see "Business – Corporate Customer Base" for more details of the Group's green bond.

The Group's loans to corporate borrowers in the manufacturing industry accounted for 13.2%, 14.5% and 11.9% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017, respectively. The Group's loans to corporate borrowers in the manufacturing industry increased by 34.7% from RMB8,391.8 million as of December 31, 2015 to RMB11,304.3 million as of December 31, 2016, primarily due to the increase in market demand from manufacturing enterprises for working capital loans in line with economic development in Jiangxi Province in 2016. The Group's loans to corporate borrowers in the manufacturing industry decreased by 13.6% to RMB9,761.7 million as of December 31, 2017, primarily due to the Group's policy in reducing and controlling credit extensions to certain manufacturing enterprises and the slowdown in the growth of the PRC manufacturing industry.

The Group's loans to corporate borrowers in the leasing and commercial services industries accounted for 6.9%, 9.7% and 11.7% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017, respectively. The Group's loans to corporate borrowers in the leasing and commercial services industries increased by 72.7% from RMB4,380.8 million as of December 31, 2015 to RMB7,567.1 million as of December 31, 2016 primarily reflecting an increase in loans to more enterprises with strong creditworthiness and risk resistance capacity. The Group's loans to corporate borrowers in the leasing and commercial services industries further increased by 26.5% to RMB9,574.7 million as of December 31, 2017, primarily due to the increased credit demands as a result of the overall steady growth in the leasing and commercial services industries.

The Group's loans to corporate borrowers in the real estate industry accounted for 14.1%, 9.0% and 9.6% of the Group's total corporate loans as of December 31, 2015, 2016 and 2017, respectively. The decrease in proportion and total amount of the Group's loans to corporate borrowers in the real estate industry in 2016 compared to 2015 was primarily because the Group actively adjusted its corporate loan portfolio in line with its business development and risk management policy. The Group's loans to corporate borrowers in the real estate industry increased by 12.3% to RMB7,893.7 million as of December 31, 2017, primarily in line with the expansion of the Group's corporate loans.

Distribution of Corporate Loans by Exposure Size

The following table sets forth the distribution of the Group's corporate loan exposure to borrowers by size as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Over RMB100 million	18,864.5	29.7%	32,413.8	41.5%	39,687.5	48.4%
Over RMB10 million to RMB100 million	27,187.2	42.8%	30,126.0	38.5%	28,859.2	35.1%
Up to RMB10 million (including RMB10 million)	17,487.0	27.5%	15,616.5	20.0%	13,562.3	16.5%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Corporate loans of over RMB100 million increased from RMB18,864.5 million (representing 29.7% of the Group's total corporate loans) as of December 31, 2015 to RMB32,413.8 million (representing 41.5% of the Group's total corporate loans) as of December 31, 2016, and further increased to RMB39,687.5 million as of December 31, 2017 (representing 48.4% of the Group's total corporate loans). Corporate loans of over RMB10 million to RMB100 million increased from RMB27,187.2 million (representing 42.8% of the Group's total corporate loans) as of December 31, 2015 to RMB30,126.0 million (representing 38.5% of the Group's total corporate loans) as of December 31, 2016, and decreased slightly to RMB28,859.2 million as of December 31, 2017 (representing 35.1% of the Group's total corporate loans). The turbulence in corporate loans of different size categories during the Track Record Period primarily reflected (i) the Group's continued efforts to refine its corporate loan portfolio and customer base by extending credit to enterprises with strong creditworthiness and risk resistance capacity and (ii) the Group's continued efforts in developing strategic corporate customers.

Distribution of Corporate Loans by Size of Corporate Borrowers

The following table sets forth the distribution of the Group's corporate loans by size of borrowers as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Micro enterprises(1)	3,970.5	6.2%	5,287.5	6.8%	6,336.4	7.7%
Small enterprises(1)	44,728.2	70.4%	52,830.8	67.6%	59,087.4	72.0%
Medium enterprises(1)	9,306.0	14.6%	9,618.2	12.3%	6,741.5	8.2%
Large enterprises(1)	4,293.4	6.8%	9,155.7	11.7%	7,629.8	9.3%
Others(2)	1,240.6	2.0%	1,264.1	1.6%	2,313.9	2.8%
Total corporate loans	**63,538.7**	**100.0%**	**78,156.3**	**100.0%**	**82,109.0**	**100.0%**

Notes:

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

(2) Consists primarily of public institutions such as schools, hospitals etc.

The Group's loans to micro enterprises amounted to RMB3,970.5 million, RMB5,287.5 million and RMB6,336.4 million as of December 31, 2015, 2016 and 2017, respectively, accounting for 6.2%, 6.8% and 7.7% of the Group's total corporate loans as of the same respective dates. The Group's loans to micro enterprises increased by 33.2% from RMB3,970.5 million as of December 31, 2015 to RMB5,287.5 million as of December 31, 2016, primarily due to the Group's continued efforts to develop its loan business for micro enterprises.

The Group's loans to small enterprises as a percentage of the Group's corporate loan portfolio accounted for 70.4%, 67.6%, and 72.0% as of December 31, 2015, 2016 and 2017, respectively. The Group's loans to small enterprises increased by 18.1% from RMB44,728.2 million as of December 31, 2015 to RMB52,830.8 million as of December 31, 2016, and further increased by 11.8% to RMB59,087.4 million as of December 31, 2017, primarily due to the Group's continued efforts to develop and support its loan business for small enterprises.

The Group's loans to medium enterprises as a percentage of the Group's corporate loan portfolio accounted for 14.6%, 12.3%, and 8.2% as of December 31, 2015, 2016 and 2017, respectively. The continued decrease in proportion of the Group's loans to medium enterprises was primarily because the Group actively adjusted its loan portfolio and optimized its loan structure by allocating more capital resources and support to large enterprises in Jiangxi Province.

The Group's loans to large enterprises as a percentage of the Group's corporate loan portfolio accounted for 6.8%, 11.7%, and 9.3% as of December 31, 2015, 2016 and 2017, respectively. The Group's loans to large enterprises increased significantly from RMB4,293.4 million as of December 31, 2015 to RMB9,155.7 million as of December 31, 2016 primarily because the Group (i) increased its credit support towards large enterprises with strong creditworthiness and risk resistance capacity; (ii) improved its abilities to serve large customers and focused on developing strategic large enterprise customers, which generally have better repayment capabilities; and (iii) actively expanded its new financial leasing business with large enterprises. The Group's loans to large enterprises decreased from RMB9,155.7 million as of December 31, 2016 to RMB7,629.8 million as of December 31, 2017, while the percentage its represented in the Group's total loan decreased from 11.7% to 9.3% as of the relevant dates, respectively, mainly caused by the Group's efforts in promoting loans to quality small and micro enterprises in line with national policy in China encouraging development of small and micro enterprises in industry sectors with strong growing potential.

Personal Loans

As of December 31, 2015, 2016 and 2017, the Group's personal loans accounted for 22.2%, 24.4%, and 34.0% of the Group's total loans to customers.

The Group's personal loans increased by 38.8% from RMB19,003.4 million as of December 31, 2015 to RMB26,378.7 million as of December 31, 2016 primarily due to the Group's efforts to grow the Group's personal loan business. The Group's personal loans further increased by 66.9% to RMB44,026.2 million as of December 31, 2017 primarily due to the Group's effort in developing and marketing personal loan business, particularly for mortgage loans and consumer loans for quality customers.

Distribution of Personal Loans by Product Type

The table below sets forth the Group's personal loans by product type as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Residential mortgage loans	10,955.4	57.6%	15,147.2	57.4%	25,562.8	58.1%
Personal business loans	5,740.4	30.2%	5,215.3	19.8%	6,009.0	13.6%
Personal consumption loans	1,934.2	10.2%	4,314.8	16.4%	9,212.2	20.9%
Credit card balances	373.4	2.0%	1,701.4	6.4%	3,242.2	7.4%
Total personal loans	**19,003.4**	**100.0%**	**26,378.7**	**100.0%**	**44,026.2**	**100.0%**

Residential mortgage loans accounted for 57.6%, 57.4% and 58.1% of the Group's personal loans as of December 31, 2015, 2016 and 2017, respectively. The Group's residential mortgage loans increased by 38.3% from RMB10,955.4 million as of December 31, 2015 to RMB15,147.2 million as of December 31, 2016, and further increased to RMB25,562.8 million as of December 31, 2017. This was primarily attributable to the increase in market demand for residential mortgage loans mainly driven by continuous urbanization in Jiangxi Province.

Personal business loans accounted for 30.2%, 19.8% and 13.6% of the Group's personal loans as of December 31, 2015, 2016 and 2017, respectively. The Group's personal business loans decreased by 9.1% from RMB5,740.4 million as of December 31, 2015 to RMB5,215.3 million as of December 31, 2016 primarily due to the overall PRC's macroeconomic downturn in 2016 and the Group's prudent approach in strict control of the size and quality of the personal business loans, resulting in a decline in the loans in 2016. The Group's personal business loans increased by 15.2% to RMB6,009.0 million as of December 31, 2017, primarily reflecting (i) the Group's efforts to expand its retail banking business; and (ii) the Group's increased credit support to quality private business owners to meet their funding needs.

Personal consumption loans accounted for 10.2%, 16.4% and 20.9% of the Group's personal loans as of December 31, 2015, 2016 and 2017, respectively. The Group's personal consumption loans increased by 123.1% from RMB1,934.2 million as of December 31, 2015 to RMB4,314.8 million as of December 31, 2016, and further increased by 113.5% to RMB9,212.2 million as of December 31, 2017, primarily due to the Group's continuous efforts in expanding and developing its personal consumption loans and retail banking customer base. In particular, the Group invested in promoting retail banking products and services featured with convenient online access and repayment, such as "Shou Ji Miao Dai (手機秒貸)". For details, please see "Business – Retail Banking – Personal Consumption loans".

Credit card balances accounted for 2.0%, 6.4% and 7.4% of the Group's personal loans as of December 31, 2015, 2016 and 2017, respectively. The Group's credit card balances increased significantly from RMB373.4 million as of December 31, 2015 to RMB1,701.4 million as of December 31, 2016, and further increased by 90.6% to RMB3,242.2 million as of December 31, 2017 primarily due to the Group's continuous effort in expanding its credit card business, resulting in an increase in the number of cards being issued.

Distribution of Personal Loans by Size of Loans

The following table sets forth the distribution of the Group's outstanding personal loans by exposure size as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Over RMB10.0 million	252.2	1.3%	310.8	1.2%	574.1	1.3%
Over RMB1.0 million to RMB10.0 million	5,083.2	26.8%	6,909.7	26.2%	8,481.2	19.3%
Over RMB500,000 to RMB1.0 million	3,513.7	18.5%	4,622.6	17.5%	8,978.7	20.4%
Below RMB500,000	10,154.3	53.4%	14,535.6	55.1%	25,992.2	59.0%
Total personal loans	**19,003.4**	**100.0%**	**26,378.7**	**100.0%**	**44,026.2**	**100.0%**

The Group's personal loans of below RMB500,000 were the largest portion of the Group's total personal loans, accounting for 53.4%, 55.1% and 59.0% as of December 31, 2015, 2016 and 2017, respectively. The Group's personal loans of below RMB500,000 increased by 43.1% from RMB10,154.3 million as of December 31, 2015 to RMB14,535.6 million as of December 31, 2016, and further increased to RMB25,992.2 million as of December 31, 2017, primarily due to the increase in residential mortgage loans and personal consumption loans in line with the growth of Jiangxi Province's economy.

Discounted Bills

Discounted bills accounted for 3.6%, 3.2% and 2.5% of the Group's total loans to customers as of December 31, 2015, 2016 and 2017, respectively. The Group's discounted bills increased by 11.2% from RMB3,099.7 million as of December 31, 2015 to RMB3,448.2 million as of December 31, 2016, primarily because the Group increased bill discounted transactions to improve its liquidity management in line with its liquidity risk management policy. The Group's discounted bills remained relatively stable as of December 31, 2015, 2016 and 2017.

The following table sets forth a breakdown of the Group's discounted bills by type of obligations as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Bank acceptance bills	2,967.4	95.7%	2,057.1	59.6%	2,869.3	89.5%
Commercial acceptance bills	132.3	4.3%	1,391.1	40.4%	337.2	10.5%
Total discounted bills	**3,099.7**	**100.0%**	**3,448.2**	**100.0%**	**3,206.5**	**100.0%**

The Group's discounted bills consisted of bank acceptance bills and commercial acceptance bills. Bank acceptance bills generally present lower credit risk than commercial acceptance bills, whereas commercial acceptance bills bear higher discount rates. The fluctuation in the Group's bank acceptance bills and commercial acceptance bills during the Track Record Period was mainly due to the market demand for acceptance bills and the market interest rate. As of December 31, 2015, 2016 and 2017, the Group's bank acceptance bills accounted for 95.7%, 59.6% and 89.5% of the Group's total discounted bills, respectively.

Distribution of Loans to Customers by Geographical Region

The Group classifies loans geographically based on the location of the Group's branches or sub-branches that originated the loan. The Group's branches or sub-branches generally originate loans to borrowers located in the same geographical areas. The following table sets forth the distribution of the Group's loans to customers by geographic region based on the location of relevant branches and sub-branches that originated such loans as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Nanchang	44,786.4	52.3%	56,488.8	52.3%	65,822.1	50.9%
Jiangxi Province (excluding Nanchang)	29,575.0	34.5%	36,826.3	34.1%	45,533.1	35.2%
Outside of Jiangxi Province[(1)]	11,280.4	13.2%	14,668.1	13.6%	17,986.5	13.9%
Total loans to customers	**85,641.8**	**100.0%**	**107,983.2**	**100.0%**	**129,341.7**	**100.0%**

Note:

(1) This represents loans to customers extended by Jiangxi Financial Leasing and the Group's branches, sub-branches located outside Jiangxi Province. For details on distribution of the Group's branches, sub-branches and Jiangxi Financial Leasing, please see "Business – Distribution Network" for further details.

Distribution of Loans by Collateral

A substantial amount of the Group's loans to customers are secured by collateral and guarantees. As of December 31, 2015, 2016 and 2017, the Group's loans to customers secured by collateral, pledges, or guarantees amounted to RMB80,525.5 million, RMB97,285.4 million and RMB112,109.4 million, representing 94.0%, 90.1% and 86.7% of the Group's total loans to customers, respectively. The following table sets forth the distribution of the Group's loans to customers by type of collateral as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Unsecured loans	5,116.3	6.0%	10,697.8	9.9%	17,232.3	13.3%
Guaranteed loans[(1)]	38,885.4	45.4%	46,547.1	43.1%	50,492.5	39.0%
Loans secured by collateral[(2)]	36,902.4	43.1%	41,604.1	38.5%	53,214.9	41.2%
Loans secured by pledges[(2)]	4,737.7	5.5%	9,134.2	8.5%	8,402.0	6.5%
Total loans to customers	**85,641.8**	**100.0%**	**107,983.2**	**100.0%**	**129,341.7**	**100.0%**

Notes:

(1) Represents the total amount of loans wholly or partly guaranteed.

(2) Represents the total amount of loans fully or partially secured by collateral or pledges in each category. If a loan is secured by more than one form of security interest, the allocation is based on the primary form of security interest.

During the Track Record Period, a majority of the Group's loans to customers were secured by collateral and pledges. As of December 31, 2015, 2016 and 2017, the Group's loans secured by collateral were RMB36,902.4 million, RMB41,604.1 million and RMB53,214.9 million, accounting for 43.1%, 38.5% and 41.2% of the Group's total loans to customers, respectively. As of the same dates, the Group's loans secured by pledges were RMB4,737.7 million, RMB9,134.2 million and RMB8,402.0 million, accounting for 5.5%, 8.5% and 6.5% of the Group's total loans to customers, respectively. In addition, as of December 31, 2015, 2016 and 2017, the Group's guaranteed loans were RMB38,885.4 million, RMB46,547.1 million and RMB50,492.5 million, accounting for 45.4%, 43.1% and 39.0% of the Group's total loans to customers, respectively. The continued increases in the Group's loans secured by collateral, pledges and guarantees were primarily because the Group strengthened its risk control measures in order to effectively manage and control potential risks associated with unsecured loans.

The Group's unsecured loans were RMB5,116.3 million, RMB10,697.8 million and RMB17,232.3 million as of December 31, 2015, 2016 and 2017, respectively, representing 6.0%, 9.9% and 13.3% of the Group's total loans to customers as of the respective dates. The increases in the Group's unsecured loans were primarily caused by increase in the Group's large corporate clients, to whom the Group granted unsecured loans, taking into account their good credit and risk resistance capacity.

In order to effectively manage and control potential risks associated with unsecured loans, the Group has implemented stringent application approval standards and procedures for granting unsecured loans. Conditions the Group imposes on granting unsecured loans include scale of assets, gearing ratio, profitability, credit records and shareholder background of relevant applicants.

Borrowers Concentration

In accordance with applicable PRC banking laws and regulations, the Group is subject to a lending limit of 10.0% of the Group's regulatory capital to any single borrower. Please see "Supervision and Regulation – Other Operational and Risk Management Ratios". The following table sets forth the Group's loan exposure to its ten largest single borrowers as of the date indicated.

		As of December 31, 2017			
	Industry	Amount	% of total loans	% of regulatory capital(1)	Classification
		(in millions of RMB, except percentages)			
Borrower A	Water conservancy, environment and public facility management	2,000.0	1.5%	6.3%	Normal
Borrower B	Water conservancy, environment and public facility management	930.0	0.7%	2.9%	Normal
Borrower C	Wholesale and retail trade	880.0	0.7%	2.8%	Normal
Borrower D	Water conservancy, environment and public facility management	850.0	0.7%	2.7%	Normal
Borrower E	Water conservancy, environment and public facility management	800.0	0.6%	2.5%	Normal
Borrower F	Leasing and commercial services	770.0	0.6%	2.4%	Normal
Borrower G	Construction	750.0	0.6%	2.4%	Normal
Borrower H	Leasing and commercial services	730.0	0.6%	2.3%	Normal
Borrower I	Water conservancy, environment and public facilities management	700.0	0.5%	2.2%	Normal
Borrower J	Public administration, social security and social organizations	700.0	0.5%	2.2%	Normal
Total		**9,110.0**	**7.0%**	**28.9%**	

Note:

(1) Represents loan balances as a percentage of the Group's regulatory capital, calculated in accordance with the requirements of the Capital Administration Measures and based on the Group's financial statements prepared in accordance with PRC GAAP. For a calculation of the Group's regulatory capital as of December 31, 2017, see "Financial Information – Capital Resources – Capital Adequacy".

In accordance with applicable PRC banking guidelines, the Group is subject to a credit limit of 15.0% of the Group's regulatory capital to any single group customer. The following table sets forth the Group's credit exposure to its ten largest group customers as of the date indicated.

		As of December 31, 2017				
	Industry	**Loan Balances**	**% of Total Loans**	**Credit Exposure[(1)]**	**% of Regulatory Capital[(2)]**	**Classification**
		(in millions of RMB, except percentages)				
Group A	Manufacturing	70.0	0.1%	4,445.0	14.1%	Normal
Group B	Public administration, social security and social organizations	1,176.0	0.9%	3,941.0	12.5%	Normal
Group C	Real Estate	–	0.0%	3,000.0	9.5%	Normal
Group D	Water conservancy, environment and public facility management	500.0	0.4%	2,600.0	8.2%	Normal
Group E	Real Estate	–	0.0%	2,340.0	7.4%	Normal
Group F	Finance	–	0.0%	2,000.0	6.3%	Normal
Group G	Construction	–	0.0%	2,000.0	6.3%	Normal
Group H	Water conservancy, environment and public facility management	2,000.0	1.5%	2,000.0	6.3%	Normal
Group I	Real Estate	–	0.0%	1,979.0	6.3%	Normal
Group J	Leasing and commercial services	–	0.0%	1,768.0	5.6%	Normal
Total		**3,746.0**	**2.9%**	**26,073.0**	**82.5%**	

Notes:

(1) Calculated pursuant to the applicable CBRC requirements by (i) adding up all on-balance-sheet credit amount and off-balance sheet credit amount in respect of each group borrower; and (ii) deducting the total amount of security deposits, certificates of deposit and government bonds in respect of each group borrower.

(2) Represents credit exposure as a percentage of the Group's regulatory capital, calculated in accordance with the requirements of the Capital Administration Measures and based on the Group's financial statements prepared in accordance with PRC GAAP. For a calculation of the Group's regulatory capital as of December 31, 2017, please see "Financial Information – Capital Resources – Capital Adequacy".

Maturity Profile of Loan Portfolio

The following table sets forth the Group's loan products by remaining maturity as of the date indicated.

	As of December 31, 2017					
	Due in 3 months or less	Due over 3 months up to 1 year	Due over 1 year up to 5 years	Due in more than 5 years	Indefinite/ repayable[1] on demand	Total
	(in millions of RMB)					
Corporate loans						
Working capital loans	9,390.3	25,328.4	7,039.6	5.0	3,291.1	45,054.4
Fixed asset loans	504.4	2,344.9	15,820.3	6,949.8	265.9	25,885.3
Financial lease	700.3	2,052.6	6,837.6	120.7	–	9,711.2
Others[2]	500.3	343.8	–	382.6	231.4	1,458.1
Sub-total	11,095.3	30,069.7	29,697.5	7,458.1	3,788.4	82,109.0
Discounted bills						
Bank acceptance bills	1,020.2	1,849.1	–	–	–	2,869.3
Commercial acceptance bills	45.6	291.6	–	–	–	337.2
Sub-total	1,065.8	2,140.7	–	–	–	3,206.5
Personal loans						
Residential mortgage loans	280.9	846.1	1,846.2	22,448.2	141.4	25,562.8
Personal consumption loans	1,823.2	2,990.3	4,337.0	44.2	17.5	9,212.2
Personal business loans	1,148.1	4,378.8	164.0	0.2	317.9	6,009.0
Credit card balances	–	–	–	–	3,242.2	3,242.2
Sub-total	3,252.2	8,215.2	6,347.2	22,492.6	3,719.0	44,026.2
Total loans and advances to customers	**15,413.3**	**40,425.6**	**36,044.7**	**29,950.7**	**7,507.4**	**129,341.7**

Notes:

(1) Represent the principal amount of loans on which principal or interest is overdue.

(2) Consist primarily of trade finance, advances under acceptance bills and syndicated loans.

As of December 31, 2017, the Group's corporate loans with remaining maturities of up to one year amounted to RMB41,165.0 million, representing 50.1% of the Group's total corporate loans, consisting primarily of working capital loans, which generally have tenors of less than one year.

As of December 31, 2017, the Group's personal loans with remaining maturities of more than five years amounted to RMB22,492.6 million, representing 51.1% of the Group's total personal loans, consisting primarily of residential mortgage loans, which generally have longer terms.

Loan Interest Rate Profile

In recent years, the PBoC has implemented a series of initiatives to gradually liberalize interest rates and establish a market-based interest rate regime. Prior to July 20, 2013, China's commercial banks could set interest rates on loans and deposits within a permitted range of PBoC benchmark interest rates. On July 20, 2013, the PBoC removed the lower limits for RMB-denominated loans (excluding residential mortgage loans), allowing PRC commercial banks to freely set interest rates. Interest rates for residential mortgage loans must be at least 70% of PBoC benchmark loan interest rates, and interest rates of residential mortgage loans for second homes must not be lower than 110% of PBoC benchmark loan interest rates.

Asset Quality of The Group's Loan Portfolio

The Group measures and monitors the asset quality of the Group's loans to customers through the Group's loan classification system. Pursuant to the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》) issued by the CBRC on July 3, 2007, the principal determinants in classifying a loan should be based on the assessment of the repayment ability, the willingness of repayment, and the security of the borrower. The Group classifies the Group's loans using a five-level loan classification system, in accordance with CBRC's guidelines. Based on the five-level loan classification system, the Group also further divides its corporate loans into 12 sub-categories, including four under "normal", three under "special mention", two under "substandard", two under "doubtful" and one under "loss". Please see "Supervision and Regulation – Loan Classification, Allowances and Write-Offs – Loan Classification".

Loan Classification Criteria

In determining the classification of the Group's loan portfolio, the Group applies a series of criteria derived from the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》). These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of the principal and interest on the loan.

Corporate Loans (Excluding Loans to Small and Micro Enterprises)

The Group's corporate loan (excluding loans to small and micro enterprises) classification criteria focuses on a number of factors, to the extent applicable, including but not limited to (i) the borrower's ability to repay the loans, based on such factors as the borrower's competitiveness in the market, cash flows, financial condition, profitability and other non-financial factors affecting the borrower's repayment ability; (ii) the borrower's repayment history; (iii) the overdue periods of the loans; (iv) the borrower's willingness to repay; (v) the profitability of the project financed by the Group's loans; (vi) the collateral of the loans; and (vii) the current situation of the credit management of the Group. The key factors for the Group's loan classification are listed below. This is not intended to be an exhaustive list of all factors taken into account in classifying the Group's loans. Please see "Risk Management – Credit Risk Management – Credit Risk 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 in the normal category generally demonstrate the following characteristics.

- neither the principal nor the interest is overdue;
- the borrower's production and business are stable;

- the borrower has good credit history;
- the borrower's cash flows from normal business activities are stable and sufficient to service the loan; or
- 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, although repayment may be adversely affected by specific factors, including:

- the changes in macro economy, politics, industries and markets which could adversely impact the borrower's operations;
- the borrower's cash flows decrease or fluctuate significantly, or are not sufficient enough to service the loan, or there is an apparent trend that the borrower will encounter deteriorated operation and financial conditions;
- there has been a substantial increase in the total amount of loans from the Bank, disproportionate to the borrower's operation income or its business expansion, for which the borrower has failed to offer any reasonable explanation to the Bank, leading to the Group's reasonable doubts in relation to the borrower's repayment ability;
- there have been material changes in the borrower's substantial shareholders;
- there have been material changes of the borrower's senior management that may be adverse to the borrower's repayment ability;
- the borrower has used the loan proceeds for a purpose inconsistent with the intended use of the proceeds; or
- 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.

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 the 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 loans are extended in violation of applicable laws and regulations;
- the borrower has been caught up in major economic legal disputes, or the borrower fails to pay the debts ruled by judiciary authorities;
- the borrower has encountered continuous financial difficulties, thereby rendering the borrower unable to repay the loan on a timely basis.
- the borrower fails to provide latest financial data and refuses to give reasonable explanations; or
- the borrower encounters internal management chaos which impacts immediate full payment.

Doubtful. Loans should be classified as doubtful if the borrower cannot repay the 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 borrower has been caught up in serious financial crisis and is unable to repay the loans;
- the borrower's production or operations have been suspended or partially suspended, or the infrastructure project financed by the Group's loans has been suspended;
- the government or relevant authority has decided to close or dissolve the borrower;
- the loans are still overdue or the borrower is still unable to repay the loans notwithstanding a restructuring of the loan; or
- the Group has brought legal actions against the borrower to recover the loan, but even after the court's order is strictly enforced, the Group may still encounter huge loss on 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 in the loss category generally demonstrate the following characteristics:

- 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 repayment obligations;
- the borrower or the guarantor has been declared bankrupt or been dissolved or closed down, terminated as a legal entity, or had their business licenses revoked, the loans thereof remaining 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 the Group's pursuit of recovery; or
- the loans remain unpaid even after the conclusion of a judicial proceeding with respect to the borrower and the guarantor, or the enforcement of the guarantee or foreclosure on the collateral.

Corporate Loans to Small Enterprises and Micro Enterprises

Corporate loans to small and micro enterprises refer to loans the Group extends to companies classified as small and micro enterprises. According to loan classification criteria set forth in Measures for Classifying Small Business Loans (Trial Implementation) (CBRC [2007] No. 63) issued by the CBRC, the Group primarily takes into account 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-level classification of the Group's loans to small and micro enterprises by time for which payments of the principal or interest are overdue and by type of collateral:

	Overdue by					
	Current	**1-30 days**	**31-90 days**	**91-180 days**	**181-360 days**	**Over 360 days**
Unsecured loans	Normal	Special mention	Substandard	Doubtful	Doubtful	Loss
Guaranteed loans	Normal	Normal	Special mention	Substandard	Doubtful	Loss
Loans secured by mortgages	Normal	Normal	Special mention	Special mention	Substandard	Doubtful
Loans secured by pledge	Normal	Normal	Normal	Special mention	Substandard	Doubtful

Personal Loans

Personal loans refer to residential mortgage loans, personal consumption loans, personal business loans and credit cards overdrafts. Residential mortgage loans mainly include loans for purchasing first-hand and second-hand houses, and purchasing houses by housing provident funds discounts. Personal business loans mainly include loans for business start-up, working capital replenishment, rental payments and facilities purchase. Personal consumption loans include loans for purchasing automobile and domestic-use parking lots, personal comprehensive loans and commercial education loans.

In applying the loan classification criteria to personal loans, the Group primarily considers the length of time by which payments of principal or interest are overdue and the type of personal loans. The following table sets forth the five-level classification of the Group's on-balance sheet loans to retail banking customers by time for which payments of principal or interest are overdue and different types of personal loans:

Residential Mortgage Loans

	Overdue by							
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-360 days**	**Over 361 days**
Loans secured by mortgages	Normal	Normal	Special mention	Special mention	Special mention	Special mention	Substandard	Doubtful

Personal Business Loans

	Overdue by							
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-360 days**	**Over 361 days**
Loans secured by pledge	Normal	Normal	Normal	Normal	Special mention	Special mention	Substandard	Doubtful
Loans secured by mortgages	Normal	Normal	Special mention	Special mention	Special mention	Substandard	Substandard	Doubtful
Guaranteed loans	Normal	Normal	Special mention	Special mention	Substandard	Substandard	Doubtful	Loss
Unsecured loans	Normal	Special mention	Special mention	Special mention	Substandard	Substandard	Doubtful	Loss

Personal Consumption Loans

	Overdue by							
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-360 days**	**Over 361 days**
Loans secured by pledge	Normal	Normal	Normal	Normal	Special mention	Special mention	Substandard	Doubtful
Loans secured by mortgages	Normal	Normal	Special mention	Special mention	Special mention	Special mention	Substandard	Doubtful
Guaranteed loans	Normal	Normal	Special mention	Special mention	Substandard	Substandard	Substandard	Loss
Unsecured loans	Normal	Special mention	Special mention	Special mention	Substandard	Substandard	Doubtful	Loss

Credit Cards Overdraft

In applying the loan classification criteria to credit card overdrafts, the Group considers the length of time by which the required repayments are overdue. The table below sets forth the five-level classification of the Bank's credit card overdraft business in terms of the overdue period:

	Overdue days
Normal	0 days
Special mention	1-90 days
Substandard	91-120 days
Doubtful	121-180 days
Loss	Over 180 days

Financial Lease

In applying the loan classification criteria to financial lease, the Group considers the length of time by which the required payments are overdue. The table below sets forth the five-level classification of the Group's financial lease by overdue period of payments:

	Overdue days
Normal	0 days
Special mention	1-90 days
Substandard	91-180 days
Doubtful	Over 180 days(1)
Loss	Over 180 days(1)

Note:

(1) The doubtful and loss categories are both characterized by over 180 overdue days. If leasees are considered being unable to complete full payment and have historically shown an inability to repay debts (such as facing bankruptcy charges, litigation by creditor, or halted operations), the Group will put such loan to doubtful category. When (i) the leasee has already encountered significant issues (i.e. filed for bankruptcy and become completely insolvent, or halted operations altogether) and exhausted all possible legal remedies. (ii) recovery is almost impossible, and any possible recovered payment would be an insignificant amount, the Group will classify such loan to loss.

Distribution of Loans by Loan Classification

The Group uses the term "NPLs" and "impaired loans" synonymously to refer to the loans identified as "impaired loans" in Note 19 to the Group's historical financial information included in the Accountants' Reports in Appendix I to this document. Under the Group's five-level loan classification system, the Group's NPLs are classified as substandard, doubtful, or loss, as applicable. The following table sets forth the distribution of the Group's loans:

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Normal	75,782.5	88.5%	101,003.0	93.5%	120,197.1	93.0%
Special mention	8,311.7	9.7%	5,164.7	4.8%	7,019.6	5.4%
Sub-total	84,094.2	98.2%	106,167.7	98.3%	127,216.7	98.4%
Substandard	115.4	0.1%	590.3	0.6%	98.2	0.1%
Doubtful	1,323.6	1.6%	1,108.1	1.0%	1,599.5	1.2%
Loss	108.6	0.1%	117.1	0.1%	427.3	0.3%
Sub-total	1,547.6	1.8%	1,815.5	1.7%	2,125.0	1.6%
Total loans to customers	**85,641.8**	**100.0%**	**107,983.2**	**100.0%**	**129,341.7**	**100.0%**
NPL ratio(1)		**1.81%**		**1.68%**		**1.64%**

Note:

(1) Calculated by dividing total NPLs by gross loans to customers.

The following table sets forth the distribution of the Group's loans to customers by business line and by the five-level loan classification system as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total(3)	Amount	% of total(3)	Amount	% of total(3)
	(in millions of RMB, except percentages)					
Corporate loans						
Normal	54,227.2	63.4%	71,951.4	66.7%	73,889.5	57.1%
Special mention	8,103.8	9.6%	4,905.7	4.5%	6,678.1	5.2%
Substandard	6.1	–	379.9	0.4%	6.1	0.0%
Doubtful	1,201.6	1.4%	910.6	0.8%	1,238.4	0.9%
Loss	–	–	8.7	–	296.9	0.2%
Subtotal	63,538.7	74.4%	78,156.3	72.4%	82,109.0	63.4%
NPL ratio(1)		1.90%		1.66%		1.88%
Personal loans						
Normal	18,455.6	21.5%	25,603.4	23.7%	43,101.1	33.3%
Special mention	207.9	0.2%	259.0	0.2%	341.5	0.3%
Substandard	109.3	0.1%	210.4	0.2%	92.1	0.1%
Doubtful	122.0	0.1%	197.5	0.2%	361.1	0.3%
Loss	108.6	0.1%	108.4	0.1%	130.4	0.1%
Subtotal	19,003.4	22.0%	26,378.7	24.4%	44,026.2	34.1%
NPL ratio(1)		1.79%		1.96%		1.33%
Discounted bills						
Normal	3,099.7	3.6%	3,448.2	3.2%	3,206.5	2.5%
Special mention	–	–	–	–	–	–
Substandard	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–
Loss	–	–	–	–	–	–
Subtotal	3,099.7	3.6%	3,448.2	3.2%	3,206.5	2.5%
NPL ratio(1)		–		–		–
Total loans and advances to customers	**85,641.8**	**100.0%**	**107,983.2**	**100.0%**	**129,341.7**	**100.0%**
NPL ratio(2)		**1.81%**		**1.68%**		**1.64%**

Notes:

(1) Calculated by dividing NPLs in each business line by gross loans to customers in that business line.

(2) Calculated by dividing total NPLs by gross loans to customers.

(3) Calculated by dividing gross loans to customers in each category by total gross loans to customers.

The Group's NPL ratio was 1.81%, 1.68%, and 1.64% as of December 31, 2015, 2016 and 2017, respectively.

The Group's NPL ratio decreased from 1.81% as of December 31, 2015 to 1.68% as of December 31, 2016 and further decreased to 1.64% as of December 31, 2017 mainly because the Group's continuous efforts in recovering NPL and improvement in overall quality of the Group's loan portfolio mainly attributed to the Group's strict implementation of risk management measures and development of clients with strong credit. The Group's NPL ratio as of December 31, 2016 and 2017 was lower than the industry average as of the same dates. The turbulence of the Group's NPL ratio was also partly contributed to the fact that the Group managed to dispose of certain non-performing assets to different asset management companies in China during the Track Record Period. Please also see the section headed "Risk Factors – Risks Relating to the Group's Business – The Group disposed of certain loan assets during the Track Record Period and should the Group unable to dispose or transfer such assets in the future, the Group's liquidity, financial condition and results of operation may be affected".

Loans classified as special mention

As of December 31, 2015, 2016 and 2017, the balance of the Group's loans to customers that are classified as special mention was RMB8,311.7 million, RMB5,164.7 million and RMB7,019.6 million, respectively, representing 9.7%, 4.8% and 5.4%, respectively, of the Group's total loans to customers. The percentage of loans classified as special mention decreased from 9.7% as of December 31, 2015 to 4.8% as of December 31, 2016 primarily because of the improvement of the Group's loan quality as a result of the improved implementation of risk management policy. The percentage of loans classified as special mentioned increased from 4.8% as of December 31, 2016 to 5.4% as of December 31, 2017, primarily because the increase in the Group's loans to small and micro enterprises in 2017, which are generally more vulnerable to turbulence of economic conditions and business operations compared with large enterprises.

The following table sets forth the distribution of the Group's loans of special mention category to customers by collateral as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Unsecured loans	268.8	3.2%	18.2	0.4%	913.7	13.0%
Guaranteed loans	5,119.9	61.6%	2,881.7	55.8%	3,952.7	56.3%
Collateralized loans	2,820.8	34.0%	2,217.7	42.9%	2,016.9	28.7%
Pledged loans	102.2	1.2%	47.1	0.9%	136.3	2.0%
Total loans of special mention category to customers	**8,311.7**	**100.0%**	**5,164.7**	**100.0%**	**7,019.6**	**100.0%**

Changes in Asset Quality of The Group's Loans

The following table sets forth the changes in the Group's NPL for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
	(in millions of RMB, except percentages)		
Beginning of the year	1,091.9	1,547.6	1,815.5
Increases	2,975.8	2,842.7	2,507.9
Decreases			
Recoveries	(232.6)	(235.3)	(214.8)
Upgrades	–	(8.0)	(12.4)
Transfer out	(1,212.4)	(1,157.2)	(1,023.9)
Write offs	(1,075.1)	(1,174.3)	(947.3)
End of the year	**1,547.6**	**1,815.5**	**2,125.0**
NPL ratio	1.81%	1.68%	1.64%

The following table sets forth the migration ratios of the Group's loan portfolio calculated in accordance with the applicable CBRC requirements for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
	(in millions of RMB, except percentages)		
Normal and special mention loans[(1)]	5.83%	4.77%	3.19%
Normal loans[(2)]	13.74%	9.27%	7.05%
Special mention loans[(3)]	23.46%	34.28%	38.61%
Substandard loans[(4)]	90.36%	77.00%	97.25%
Doubtful loans[(5)]	65.94%	18.65%	6.29%

Notes:

(1) Represent migration ratios of loans classified as normal or special mention which were downgraded to NPL. 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 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) Represent 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 at the end of the period, 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) Represent migration ratio of loans classified as special mention which were downgraded to NPL. The special mention loan migration ratio represents a fraction, the numerator of which equals the loans which were classified as special mention at the beginning date of the period and downgraded to NPL at the end of the period, and the denominator of which equals the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(4) Represent migration ratio of loans classified as substandard which were downgraded to doubtful or loss. 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 doubtful or loss at the end of the period, and the denominator of which equals the difference between the balance of substandard loans at the beginning date of the period and the decrease in such loans in the period.

(5) Represent 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 at the end of the period, and the denominator of which equals the difference between the balance of doubtful loans at the beginning date of the period and the decrease in such loans in the period.

Distribution of NPL by Product Type

The following table sets forth the distribution of the Group's NPL by product type as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	Amount	% of total	NPL ratio(2)	Amount	% of total	NPL ratio(2)	Amount	% of total	NPL ratio(2)
	(in millions of RMB, except percentages)								
Corporate loans									
Working capital loans	1,007.1	65.1%	2.26%	1,106.0	60.9%	2.25%	1,385.0	65.2%	3.07%
Fixed asset loans	0.3	–	–	8.6	0.5%	0.04%	18.1	0.8%	0.07%
Financial lease	–	–	–	–	–	–	–	–	–
Others(1)	200.3	12.8%	28.94%	184.6	10.2%	39.19%	138.3	6.5%	9.48%
Total corporate loans	1,207.7	77.9%	1.90%	1,299.2	71.6%	1.66%	1,541.4	72.5%	1.88%
Personal loans									
Residential mortgage loans	50.3	3.3%	0.46%	187.3	10.3%	1.24%	212.2	10.0%	0.83%
Personal business loans	281.1	18.2%	4.90%	305.2	16.8%	5.85%	300.9	14.2%	5.01%
Personal consumption loans	5.8	0.4%	0.30%	11.4	0.6%	0.26%	18.2	0.9%	0.20%
Credit card balances	2.7	0.2%	0.72%	12.4	0.7%	0.73%	52.3	2.4%	1.61%
Total personal loans	339.9	22.1%	1.79%	516.3	28.4%	1.96%	583.6	27.5%	1.33%
Total NPL	**1,547.6**	**100.0%**	**1.81%**	**1,815.5**	**100.0%**	**1.68%**	**2,125.0**	**100.0%**	**1.64%**

Notes:

(1) Consist primarily of advances under acceptance bills and syndicated loans.

(2) Calculated by dividing NPL in each product type by gross loans in that product type.

The Group's NPL ratio as of December 31, 2015 was higher than the industry average as of the same date, and the Group's NPL ratio as of December 31, 2016 and 2017 was lower than the industry average as of the same dates. The Group has continuously made efforts to recover existing NPL, strengthen risk management measures, and develop quality customers with good credit records. However, the decrease in the Group's non-performing personal loan ratio was offset by a higher non-performing corporate loan ratio as a result of deteriorated financial condition and repayment abilities of certain enterprises during the slowdown of the PRC economy.

Non-performing Corporate Loans

The Group's non-performing corporate loans slightly increased by 7.6% from RMB1,207.7 million, (representing NPL ratio of 1.90%) as of December 31, 2015 to RMB1,299.2 million as of December 31, 2016 (representing NPL ratio of 1.66%) primarily due to operational difficulties and deteriorated repayment abilities of certain of the Group's corporate customers, especially the small and medium enterprises, during the slowdown of the PRC economy.

The Group's non-performing corporate loans increased by 18.6% from RMB1,299.2 million (representing NPL ratio of 1.66%) as of December 31, 2016 to RMB1,541.4 million (representing NPL ratio of 1.88% as of December 31, 2017 primarily attributable to an increase in the Group's non-performing working capital loans as a result of deterioration of certain borrowers' repayment abilities during the slowdown of PRC economic growth.

Non-performing Personal Loans

The Group's non-performing personal loans increased by 51.9% from RMB339.9 million (representing a NPL ratio of 1.79%) as of December 31, 2015 to RMB516.3 million (representing NPL ratio of 1.96%) as of December 31, 2016 primarily due to (i) a significant increase in the Group's non-performing residential mortgage loans from RMB50.3 million in 2015 to RMB187.3 million in 2016, resulting from the economic slowdown in the PRC and deteriorated repayment abilities of certain retail banking customers; and (ii) a significant increase in Group's non-performing personal business loans from RMB281.1 million as of December 31, 2015 to RMB305.2 million as of December 31, 2016, resulting from the economic slowdown in the PRC and deteriorated repayment abilities of certain retail banking customers, which caused the Group's NPL ratio for personal business loans to be higher than the other types of loans.

The Group's non-performing personal loans increased by 13.0% from RMB516.3 million (representing NPL ratio of 1.96%) as of December 31, 2016 to RMB583.6 million (representing NPL ratio of 1.33%) as of December 31, 2017. This is primarily attributable to an increase in non-performing residential mortgage loans as a result of deterioration of certain retail banking customers' repayment abilities during the PRC economic slowdown.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's NPL to corporate customers by industry as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)								
Wholesale and retail trade	795.3	65.9%	3.90%	937.3	72.2%	4.42%	1,159.0	75.2%	6.00%
Manufacturing	178.8	14.8%	2.13%	151.9	11.8%	1.34%	204.0	13.2%	2.09%
Information transmission, computer services and software	15.5	1.3%	5.03%	51.0	3.9%	17.27%	52.7	3.4%	8.26%
Construction	46.5	3.9%	0.53%	31.6	2.4%	0.35%	43.8	2.8%	0.56%
Agriculture, forestry, animal husbandry and fishery	15.4	1.3%	1.16%	20.3	1.6%	1.44%	23.9	1.6%	2.01%
Residents' services, repairs and other services	–	–	–	3.0	0.2%	1.92%	14.8	1.0%	16.67%
Real estate	47.1	3.9%	0.52%	4.8	0.4%	0.07%	13.5	0.9%	0.17%
Culture, sports and entertainment	–	–	–	8.1	0.6%	0.84%	11.6	0.8%	1.12%
Mining	81.4	6.7%	11.13%	10.8	0.8%	2.78%	11.1	0.7%	3.24%
Leasing and commercial services	–	–	–	12.3	0.9%	0.16%	6.9	0.4%	0.07%
Accommodation and catering	2.6	0.2%	0.17%	50.1	3.9%	3.10%	0.1	0.0%	0.01%
Transportation, storage and postal services	18.5	1.5%	1.27%	13.5	1.0%	0.74%	–	–	–
Production and distribution of electricity, heating power, gas and water	3.0	0.2%	0.39%	4.5	0.3%	0.36%	–	–	–
Water conservancy, environment and public facility management	3.6	0.3%	0.10%	–	–	–	–	–	–
Others(2)	–	–	–	–	–	–	–	–	–
Total non-performing corporate loans	**1,207.7**	**100.0%**	**1.90%**	**1,299.2**	**100.0%**	**1.66%**	**1,541.4**	**100.0%**	**1.88%**

Notes:

(1) Calculated by dividing NPL in each industry by gross loans to customers in that industry.

(2) 'Others' consists primarily of: (i) education, (ii) health, social security and social welfare (iii) public administration, social security and social organizations, (iv) finance, and (v) scientific research, technical services and geological prospecting.

The Group's non-performing corporate loans consisted primarily of NPL to corporate borrowers in the wholesale and retail trade industries and the manufacturing industry.

As of December 31, 2015, 2016 and 2017, non-performing corporate loans to borrowers in the wholesale and retail trade industries accounted for 65.9%, 72.2% and 75.2% of the Group's total non-performing corporate loans, respectively. The NPL ratio for the Group's corporate loans in the wholesale and retail trade industries was 3.90%, 4.42% and 6.00% as of December 31, 2015, 2016 and 2017, respectively. The Group's NPL ratio for the Group's corporate loans to the wholesale and retail trade industries increased from 3.90% as of December 31, 2015 to 4.42% as of December 31, 2016, and further increased to 6.00% as of December 31, 2017 primarily due to an adverse impact from the slowdown of the PRC economy and restructuring of the PRC economy on certain small and micro enterprises in the wholesale and retail trade industries.

As of December 31, 2015, 2016 and 2017, non-performing corporate loans to borrowers in the manufacturing industry accounted for 14.8%, 11.8% and 13.2% of the Group's total non-performing corporate loans, respectively. The NPL ratio for the Group's corporate loans in the manufacturing industry was 2.13%, 1.34% and 2.09% as of December 31, 2015, 2016 and 2017, respectively. The Group's NPL ratio for the Group's corporate loans to the manufacturing industry decreased from 2.13% in 2015 to 1.34% in 2016 primarily because (i) the Group controlled the Group's credit extension to the manufacturing industry according to the Group's credit policy in order to reduce the Group's risk exposure, and (ii) the Group strengthened the Group's efforts in recovering NPL in the manufacturing industry. The NPL ratio for the Group's corporate loans in the manufacturing industry increased to 2.09% as of December 31, 2017 primarily because certain borrowers in the manufacturing industry experienced difficulty in business operations as a result of the slowdown in PRC economic development.

As of December 31, 2015, 2016 and 2017, non-performing corporate loans to borrowers in the information transmission, computer services and software industries accounted for 1.3%, 3.9% and 3.4% of the Group's total non-performing corporate loans, respectively. The NPL ratio for the Group's corporate loans in the information transmission, computer services and software industries was 5.03%, 17.27% and 8.26% as of December 31, 2015, 2016 and 2017, respectively. The Group's NPL ratio for the Group's corporate loans to borrowers in the information transmission, computer services and software industries increased from 5.03% as of December 31, 2015 to 17.27% as of December 31, 2016 primarily because one of the largest borrowers had defaulted in its payment, while the Group had comparatively small increase in total borrowings to clients in these industries in 2016. The Group's NPL ratio for the Group's corporate loans to borrowers in the information transmission, computer services and software industries decreased considerably from 17.27% as of December 31, 2016 to 8.26% as of December 31, 2017 primarily due to the recovering of the non-performing assets of the above-mentioned borrowers.

As of December 31, 2015, 2016 and 2017, non-performing corporate loans to borrowers in the mining industry accounted for 6.7%, 0.8% and 0.7% of the Group's total non-performing corporate loans, respectively. The NPL ratio for the Group's corporate loans in the mining industry was 11.13%, 2.78% and 3.24% as of December 31, 2015, 2016 and 2017, respectively. The Group's NPL ratio for the Group's corporate loans to the mining industry decreased from 11.13% in 2015 to 2.78% in 2016, and increased to 3.24% as of December 31, 2017 primarily because the Group was exposed to a few cases of large amounts of NPL by mining companies in 2015. As of December 31, 2015, 2016 and 2017, non-performing corporate loans to borrowers in residents' services, repairs and other services industry accounted for nil, 0.2% and 1.0% of the Group's total non-performing corporate loans, respectively. The Group's NPL ratio for the Group' corporate loans to residents' services, repairs and other services industry increased from 1.92% as of December 31, 2016 to 16.67% as of December 31, 2017, primarily because one of the largest borrowers in this industry defaulted in making timely payment in 2017 due to operating difficulty. As of December 31, 2015, 2016 and 2017, non-performing corporate loans to borrowers in agriculture, forestry, animal husbandry and fishery industry accounted for 1.3%, 1.6% and 1.6% of the Group's total non-performing corporate loans, respectively. The Group's NPL ratio for the Group' corporate loans to agriculture, forestry, animal husbandry and fishery industry increased from 1.16% as of December 31, 2015 to 1.44% as of December 31, 2016, and further to 2.01% as of December 31, 2017, primarily due to an adverse impact from slowdown in the PRC economy causing slow-down in sales of relevant products produced by relevant small and micro enterprises in this industry and difficulties in operations.

Distribution of NPL by Geographical Region

The following table sets forth the distribution of the Group's NPL by geographical region as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)								
Nanchang	1,007.6	65.1%	2.25%	1,154.2	63.6%	2.04%	1,625.8	76.5%	2.47%
Jiangxi Province (excluding Nanchang)	472.9	30.6%	1.60%	573.7	31.6%	1.56%	432.9	20.4%	0.95%
Outside of Jiangxi Province	67.1	4.3%	0.59%	87.6	4.9%	0.60%	66.3	3.1%	0.37%
Total NPL	**1,547.6**	**100.0%**	**1.81%**	**1,815.5**	**100.0%**	**1.68%**	**2,125.0**	**100.0%**	**1.64%**

Note:

(1) Calculated by dividing NPL in each region by gross loans to customers in that region.

As of December 31, 2015, 2016 and 2017, the balances of NPL and the NPL ratios of Nanchang were relatively high primarily because the Group's loans are primarily focus in Nanchang. For the distribution of loans to customers by geographical region, please see "– Loans to Customers – Distribution of Loans to Customers by Geographical Region" in this section.

Distribution of NPL by Collateral

The following table sets forth the distribution of the Group's NPL by types of collateral as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	Amount	% of total	NPL ratio[(1)]	Amount	% of total	NPL ratio[(1)]	Amount	% of total	NPL ratio[(1)]
	(in millions of RMB, except percentages)								
Unsecured loans . . .	5.0	0.3%	0.10%	14.0	0.8%	0.13%	62.4	2.9%	0.36%
Guaranteed loans . .	1,184.3	76.6%	3.05%	1,150.7	63.3%	2.47%	1,258.5	59.2%	2.49%
Collateralized loans .	333.0	21.5%	0.90%	613.2	33.8%	1.47%	725.4	34.2%	1.36%
Pledged loans	25.3	1.6%	0.53%	37.6	2.1%	0.41%	78.7	3.7%	0.94%
Total NPL	**1,547.6**	**100.0%**	**1.81%**	**1,815.5**	**100.0%**	**1.68%**	**2,125.0**	**100.0%**	**1.64%**

Note:

(1) Calculated by dividing NPL in each product type secured by each type of collateral by gross loans in that type of collateral.

The NPL ratio for the Group's unsecured loans increased from 0.10% as of December 31, 2015 to 0.13% as of December 31, 2016 and further increased to 0.36% as of December 31, 2017 primarily due to deterioration of the Group's certain corporate customer repayment abilities during the slowdown of PRC economic growth.

The NPL ratio for the Group's guaranteed loans decreased from 3.05% as of December 31, 2015 to 2.47% as of December 31, 2016 primarily due to the Group's enhanced risk management measures for guaranteed loans and its continued efforts in recovering non-performing guaranteed loans. The NPL ratio for the Group's corporate guaranteed loans slightly increased to 2.49% as of December 31, 2017 primarily due to operational difficulties and deteriorated repayment abilities of certain corporate customers, especially the small and medium enterprises that operate in the wholesale and retail trade industries, during the slowdown of the PRC economic growth.

The increase in the NPL ratio of collateralized loans and pledged loans between December 31, 2015 and December 31, 2016 was primarily due to the weakened repayment ability of relevant borrowers due to a slowdown in the PRC's economic growth. As of December 31, 2017, the decrease in the NPL ratio of collateralized loans and pledged loans was primarily attributable to the Group's enhanced efforts to recover loans from delinquent customers and customers with potential risks.

Ten Largest Non-performing Borrowers

The following table sets forth the Group's borrowers with the ten largest NPL balances outstanding as of the date indicated.

	As of December 31, 2017				
	Industry	Classification	Outstanding principal amount	% of total NPL	% of total regulatory capital[(1)]
	(in millions of RMB, except percentages)				
Borrower EA	Wholesale and retail trade	Loss	99.6	4.7%	0.32%
Borrower EB	Wholesale and retail trade	Loss	74.5	3.5%	0.24%
Borrower EC	Wholesale and retail trade	Doubtful	64.9	3.1%	0.21%
Borrower ED	Wholesale and retail trade	Doubtful	45.6	2.1%	0.14%
Borrower EE	Manufacturing	Doubtful	36.0	1.7%	0.11%
Borrower EF	Wholesale and retail trade	Doubtful	35.7	1.7%	0.11%
Borrower EG	Wholesale and retail trade	Doubtful	29.0	1.4%	0.09%
Borrower EH	Wholesale and retail trade	Doubtful	28.0	1.3%	0.09%
Borrower EI	Wholesale and retail trade	Doubtful	26.7	1.3%	0.08%
Borrower EJ	Wholesale and retail trade	Doubtful	25.0	1.2%	0.08%
Total			**465.0**	**22.0%**	**1.47%**

Note:

(1) Represents loan balance as a percentage of the Group's regulatory capital, calculated in accordance with the requirements of the Capital Administration Measures and based on the Group's financial statements prepared in accordance with PRC GAAP. For a calculation of the Group's regulatory capital as of December 31, 2017, see "Financial Information – Capital Resources – Capital Adequacy."

Loan Aging Schedule

The following table sets forth the Group's loan aging schedule as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Current loans	79,452.2	92.9%	101,519.7	94.0%	123,513.4	95.5%
Loans past due for						
Up to 3 months[(1)]	3,035.7	3.5%	4,094.4	3.8%	3,556.1	2.7%
Over 3 months up to 6 months[(1)]	717.3	0.8%	417.2	0.4%	278.7	0.2%
Over 6 months up to 1 year[(1)]	1,151.3	1.3%	630.0	0.6%	894.8	0.7%
Over 1 year up to 3 years[(1)]	1,282.5	1.5%	1,301.2	1.2%	901.4	0.7%
Over 3 years[(1)]	2.8	–	20.7	–	197.3	0.2%
Sub-total	6,189.6	7.1%	6,463.5	6.0%	5,828.3	4.5%
Total loans and advances to customers	**85,641.8**	**100.0%**	**107,983.2**	**100.0%**	**129,341.7**	**100.0%**

Note:

(1) Represent the principal amount of the loans on which principal or interest was overdue as of the dates indicated.

Allowance for Impairment Losses on Loans to Customers

The Group assesses its loans for impairment, determines a level of allowance for impairment losses, and recognizes any related provisions in accordance with the requirements of IAS39. Please see "Financial Information – Critical Accounting Judgments and Key Sources of Estimation Uncertainty – Provision for Impairment on Loans and Advances to Customers" and Note 19 to the Group's historical financial information included in the Accountants' Reports in Appendix I to this prospectus.

The Group's loans are reported net of allowance for impairment losses on the Group's consolidated statement of financial position. The Group first assesses whether objective evidence of impairment exists individually for the Group's loans that are individually significant, and individually or collectively for the Group's loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, such loans are included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

An impairment loss is recognized in profit or loss when there is objective evidence that loans are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loans' original effective interest rates. The calculation of the present value of the estimated future cash flows of a collateralized/pledged financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral/pledges.

For further discussion on impairment losses of the Group's loans, please see "Financial Information – Results of Operations for the Years Ended December 31, 2015 and 2016 – Impairment Losses on Assets", "Financial Information – Results of Operations for the Years Ended December 31, 2016 and 2017 – Impairment Losses on Assets" and Note 19 to the Group's historical financial information included in the Accountants' Reports in Appendix I attached to this prospectus.

Distribution of Allowance for Impairment Losses by Loan Classification

The following table sets forth the allocation of the Group's allowance for impairment losses by loan classification category as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	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	743.7	21.9%	0.98%	1,263.4	32.9%	1.25%	1,281.1	28.0%	1.07%
Special mention	1,377.8	40.7%	16.58%	1,271.0	33.2%	24.61%	1,536.8	33.6%	21.89%
Substandard	71.0	2.1%	61.53%	339.9	8.9%	57.58%	45.4	1.0%	46.23%
Doubtful	1,087.3	32.1%	82.15%	838.2	21.9%	75.64%	1,281.7	28.0%	80.13%
Loss	108.6	3.2%	100.00%	117.1	3.1%	100.00%	427.3	9.4%	100.00%
Total allowance for loans	**3,388.4**	**100.0%**	**3.96%**	**3,829.6**	**100.0%**	**3.55%**	**4,572.3**	**100.0%**	**3.54%**

Note:

(1) Calculated by dividing the allowance for impairment losses on NPL in each category by the gross loans in that category.

The following table sets forth the allocation of the Group's allowance for impairment losses by business line and by loan classification category as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	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	689.1	20.3%	1.27%	1,196.2	31.2%	1.66%	1,243.6	27.2%	1.68%
Special mention	1,324.4	39.1%	16.34%	1,210.6	31.6%	24.68%	1,479.5	32.3%	22.15%
Substandard	2.9	0.1%	47.54%	178.8	4.7%	47.07%	2.9	0.1%	47.54%
Doubtful	977.1	28.8%	81.32%	652.2	17.0%	71.62%	965.4	21.1%	77.96%
Loss	–	–	–	8.7	0.2%	100.00%	296.9	6.5%	100.00%
Sub-total	2,993.5	88.3%	4.71%	3,246.5	84.7%	4.15%	3,988.3	87.2%	4.86%
Personal loans									
Normal	53.7	1.6%	0.29%	65.4	1.7%	0.26%	35.2	0.8%	0.08%
Special mention	53.4	1.6%	25.69%	60.4	1.6%	23.32%	57.3	1.3%	16.78%
Substandard	68.1	2.0%	62.31%	161.1	4.2%	76.57%	42.5	0.9%	46.15%
Doubtful	110.2	3.3%	90.33%	186.0	4.9%	94.18%	316.3	6.9%	87.59%
Loss	108.6	3.2%	100.00%	108.4	2.9%	100.00%	130.4	2.9%	100.00%
Sub-total	394.0	11.7%	2.07%	581.3	15.3%	2.20%	581.7	12.7%	1.32%
Discounted bills									
Normal	0.9	–	0.03%	1.8	–	0.05%	2.3	0.1%	0.07%
Special mention	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–	–	–
Sub-total	0.9	–	0.03%	1.8	–	0.05%	2.3	0.1%	0.07%
Total allowance to loans	**3,388.4**	**100.0%**	**3.96%**	**3,829.6**	**100.0%**	**3.55%**	**4,572.3**	**100.0%**	**3.54%**

Note:

(1) Calculated by dividing the allowance for impairment losses on NPL in each category by the gross loans in that category.

Changes to Allowance for Impairment Losses

The Group reports net provisions for impairment losses on loans to customers on the Group's statement of profit or loss and other comprehensive income. Please see "Financial Information – Critical Accounting Judgments and Key Sources of Estimation Uncertainty – Provision for Impairment on Loans and Advances to Customers".

The following table sets forth the changes to the allowance for impairment losses on loans to customers for the periods indicated.

	Amount
	(in millions of RMB)
As of January 1, 2015	**2,191.6**
Charge and release for the year	3,467.6
Unwinding of discount	(344.3)
Transfer out	(1,083.4)
Recoveries	32.7
Addition through acquisition of subsidiaries	199.3
Write-offs	(1,075.1)
As of December 31, 2015	**3,388.4**
Charge and release for the year	2,835.4
Unwinding of discount	(460.3)
Transfer out	(829.0)
Recoveries	69.4
Addition through acquisition of subsidiaries	–
Write-offs	(1,174.3)
As of December 31, 2016	**3,829.6**
Charge and release for the year	2,193.6
Unwinding of discount	(146.6)
Transfer out	(562.6)
Recoveries	205.6
Addition through acquisition of subsidiaries	–
Write-offs	(947.3)
As of December 31, 2017	**4,572.3**

The Group's allowance for impairment losses on loans to customers increased by 13.0% from RMB3,388.4 million as of December 31, 2015 to RMB3,829.6 million as of December 31, 2016 and further increased by 19.4% to RMB4,572.3 million as of December 31, 2017, which primarily due to the effect that the Group had taken more prudent provision policies in response to the increase in loans to customers, particularly the substantial increase in loans to small and micro enterprises who generally are more vulnerable to economic turbulence.

In 2015, 2016 and 2017, the Group's impairment losses on loans and advances to customers amounted to RMB3,467.6 million, RMB2,835.4 million, RMB2,193.6 million, respectively. For further discussion on impairment losses of the Group's loans and advances to customers, please see "Financial Information – Results of Operations for the Years Ended December 31, 2015 and 2016 – Impairment Losses on Assets", "Financial Information – Results of Operations for the Years Ended December 31, 2016 and 2017 – Impairment Losses on Assets".

Distribution of Allowance for Impairment Losses by Product Type

The following table sets forth the distribution of the Group's allowance for impairment losses on loans to customers by product type as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	Amount	% of total	Allowance to NPLs[(2)]	Amount	% of total	Allowance to NPLs[(2)]	Amount	% of total	Allowance to NPLs[(2)]
	(in millions of RMB, except percentages)								
Corporate loans									
Working capital loans	2,273.0	75.9%	225.70%	2,376.0	73.2%	214.83%	2,925.6	73.4%	211.23%
Fixed asset loans	484.0	16.2%	161,333.33%	653.2	20.1%	7,595.35%	725.0	18.2%	4,005.52%
Financial lease	18.6	0.6%	–	96.2	3.0%	–	173.7	4.4%	–
Others[(1)]	217.9	7.3%	108.79%	121.1	3.7%	65.60%	164.0	4.0%	118.58%
Total corporate loans	2,993.5	100.0%	247.87%	3,246.5	100.0%	249.88%	3,988.3	100.0%	258.75%
Personal loans									
Residential mortgage loans	77.7	19.7%	154.47%	224.7	38.7%	119.97%	227.4	39.1%	107.16%
Personal consumption loans	6.6	1.7%	113.79%	14.5	2.5%	127.19%	25.0	4.3%	137.36%
Personal business loans	306.5	77.8%	109.04%	321.0	55.2%	105.18%	253.1	43.5%	84.11%
Credit card balances	3.2	0.8%	118.52%	21.1	3.6%	170.16%	76.2	13.1%	145.70%
Sub-total	394.0	100.0%	115.92%	581.3	100.0%	112.59%	581.7	100.0%	99.67%
Discounted bills									
Commercial acceptance bills	0.9	100.0%	–	1.8	100.0%	–	2.3	100.0%	–
Sub-total	0.9	100.0%	–	1.8	100.0%	–	2.3	100.0%	–
Total allowance to loans and advances	**3,388.4**	**100.0%**	**218.93%**	**3,829.6**	**100.0%**	**210.94%**	**4,572.3**	**100.0%**	**215.17%**

Notes:

(1) Consist primarily of advances under acceptance bills and syndicated loans.

(2) Calculated by dividing allowance for impairment losses on loans to customers in each product type by NPL to customers in that product type.

Distribution of Allowance for Impairment Losses on Corporate Loans by Industry

The following table sets forth the allowance for impairment losses on corporate loans by industry as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	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 trade	1,487.3	49.7%	187.01%	1,444.1	44.5%	154.07%	1,890.9	47.4%	163.15%
Manufacturing	414.3	13.8%	231.71%	473.1	14.6%	311.45%	489.8	12.3%	240.10%
Real estate	301.0	10.1%	639.07%	319.5	9.8%	6,656.25%	392.7	9.8%	2,908.89%
Leasing and commercial services	146.7	4.9%	–	136.0	4.2%	1,105.69%	281.0	7.0%	4,072.46%
Construction	195.3	6.5%	420.00%	315.0	9.7%	996.84%	244.2	6.2%	557.53%
Water conservancy, environment and public facility management	69.4	2.3%	1,927.78%	181.9	5.6%	–	218.9	5.5%	–
Information transmission, computer services and software	25.5	0.9%	164.52%	44.6	1.4%	87.45%	128.5	3.2%	243.83%
Accommodation and catering	76.0	2.5%	2,923.08%	103.2	3.2%	205.99%	67.4	1.7%	67,400.00%
Agriculture, forestry, animal husbandry and fishery	44.8	1.5%	290.91%	49.2	1.5%	242.36%	57.4	1.4%	240.17%
Transportation, storage and postal services	31.5	1.1%	170.27%	44.9	1.4%	332.59%	51.5	1.3%	–
Culture, sports and entertainment	13.4	0.4%	–	22.1	0.7%	272.84%	29.5	0.7%	254.31%
Production and distribution of electricity, heating power, gas and water	11.0	0.4%	366.67%	18.5	0.6%	411.11%	27.5	0.7%	–
Health, social security and social welfare	7.4	0.2%	–	17.6	0.5%	–	22.2	0.6%	–
Education	17.3	0.6%	–	25.8	0.8%	–	22.1	0.6%	–
Mining	98.3	3.3%	120.76%	22.5	0.7%	208.33%	21.2	0.5%	190.99%
Public administration, social security and social organizations	46.3	1.5%	–	11.8	0.3%	–	21.0	0.5%	–
Resident services maintenance and other services	2.7	0.1%	–	5.9	0.2%	196.67%	16.2	0.4%	109.46%
Finance	4.7	0.2%	–	10.7	0.3%	–	6.3	0.2%	–
Scientific research, technical services and geological prospecting	0.6	–	–	0.1	–	–	–	–	–
Total allowance for corporate loans	**2,993.5**	**100.0%**	**247.87%**	**3,246.5**	**100.0%**	**249.88%**	**3,988.3**	**100.0%**	**258.75%**

Note:

(1) Calculated by dividing allowance for impairment losses on loans to corporate customers in each industry by NPL to corporate customers in that industry.

Distribution of Allowance for Impairment Losses by Geographic Region

The following table sets forth the allocation of the Group's allowance for impairment losses by geographical region as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	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)								
Nanchang	2,150.1	63.4%	213.39%	2,305.9	60.2%	199.78%	2,954.3	64.6%	181.71%
Jiangxi Province (excluding Nanchang)	1,005.8	29.7%	212.69%	1,193.6	31.2%	208.05%	1,242.5	27.2%	287.02%
Outside of Jiangxi Province	232.5	6.9%	346.50%	330.1	8.6%	376.83%	375.5	8.2%	566.37%
Total allowance for loans	**3,388.4**	**100.0%**	**218.93%**	**3,829.6**	**100.0%**	**210.94%**	**4,572.3**	**100.0%**	**215.17%**

Note:

(1) Calculated by dividing allowance for impairment losses on loans in each region by NPL originated in that region.

Distribution of Allowance for Impairment Losses by Assessment Methodology

The following table sets forth the distribution of the allowance for impairment losses for the Group's loans to customers by the Group's assessment methodology as of the dates indicated.

	As of December 31,								
	2015			2016			2017		
	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)								
Collectively assessed	2,408.4	71.1%	708.56%	2,989.9	78.1%	579.10%	3,307.1	72.3%	566.67%
Individually assessed	980.0	28.9%	81.15%	839.7	21.9%	64.63%	1,265.2	27.7%	82.08%
Total allowance for loans	**3,388.4**	**100%**	**218.93%**	**3,829.6**	**100%**	**210.94%**	**4,572.3**	**100%**	**215.17%**

Note:

(1) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of non-performing loans in that category.

Investments

Investments are another important component of the Group's assets, representing 37.6%, 50.1% and 50.9% of the Group's total assets as of December 31, 2015, 2016 and 2017, respectively.

The Group's Investments consist primarily of debt securities, wealth management products issued by other PRC commercial banks, trust plans, assets management plans and others. The following table sets forth the components of the Group's Investments as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Debt securities						
Securities investments classified as receivables	24.8	–	–	–	–	–
Held-to-maturity securities investments	16,586.4	20.6%	20,063.2	12.6%	25,620.4	13.5%
Available-for-sale securities investment	3,601.9	4.5%	7,987.8	5.0%	10,970.2	5.8%
Securities investment held for trading	5,367.7	6.7%	71.3	–	587.8	0.4%
Subtotal	25,580.8	31.8%	28,122.3	17.6%	37,178.4	19.7%
Equity investment						
Available-for-sale equity investment	10.3	–	10.3	–	10.3	–
Subtotal	10.3	–	10.3	–	10.3	–
Fund investments						
Available-for-sale financial assets	213.3	0.3%	26,996.0	17.0%	14,730.3	7.7%
Subtotal	213.3	0.3%	26,996.0	17.0%	14,730.3	7.7%
Wealth management products issued by other PRC Commercial Banks						
Available-for-sale financial assets	500.0	0.6%	3,783.4	2.4%	711.4	0.4%
Investments classified as receivables	1,012.5	1.3%	2,026.6	1.3%	3,308.9	1.7%
Subtotal	1,512.5	1.9%	5,810.0	3.7%	4,020.3	2.1%
Assets Management Plans and Trust plans						
Available-for-sale financial assets	7,678.9	9.5%	35,837.6	22.6%	33,183.9	17.3%
Investments classified as receivables	45,459.6	56.5%	62,074.4	39.1%	101,181.2	53.2%
Subtotal	53,138.5	66.0%	97,912.0	61.7%	134,365.1	70.5%
Total investments	**80,455.4**	**100.0%**	**158,850.6**	**100.0%**	**190,304.4**	**100.0%**
Provision for impairment	(772.9)		(1,518.6)		(1,874.7)	
Total investments, net	**79,682.5**		**157,332.0**		**188,429.7**	

The Group's total Investments increased from RMB80,455.4 million as of December 31, 2015 to RMB158,850.6 million as of December 31, 2016 and further increased to RMB190,304.4 million as of December 31, 2017, primarily because the Group (i) actively developed its financial markets businesses after the Acquisition; and (ii) continued to optimize its investment portfolio by increasing its investments in assets management plans and trust plans in addition to its investments in fund investments.

The following discussion is based on the Group's gross Investments before taking into account the allowance for impairment losses. The Group's Investments are reported net of the allowance for impairment losses on the Group's statement of financial position.

Debt Securities

Debt securities accounted for 31.8%, 17.6% and 19.7% of the Group's total investment securities and other financial asset portfolio as of December 31, 2015, 2016 and 2017, respectively. The Group's debt securities consist primarily of debt securities issued by the PRC Government, PRC policy banks, PRC commercial banks and financial institutions, and PRC corporate issuers. All of the debt securities the Group held as of December 31, 2015, 2016 and 2017 were denominated in Renminbi. The following table sets forth the components of the Group's debt securities as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
PRC government bonds	5,687.6	22.2%	10,071.0	35.8%	12,839.4	34.5%
Bonds issued by PRC policy banks	13,508.9	52.8%	14,613.7	52.0%	21,625.3	58.2%
Bonds issued by PRC commercial banks and other financial institutions	3,167.5	12.4%	1,035.8	3.7%	1,635.7	4.4%
Bonds issued by other PRC enterprises	3,216.8	12.6%	2,401.8	8.5%	1,078.0	2.9%
Total debt securities investments	**25,580.8**	**100.0%**	**28,122.3**	**100.0%**	**37,178.4**	**100.0%**

Debt securities increased from RMB25,580.8 million as of December 31, 2015 to RMB28,122.3 million as of December 31, 2016 and further increased to RMB37,178.4 million as of December 31, 2017, primarily due to (i) an increase in the Group's holding in PRC Government bonds and debt securities issued by policy banks, and (ii) the Group's effort to optimize its investments portfolio in order to achieve higher liquidity.

During the Track Record Period, bonds issued by policy banks were the largest component of the Group's debt securities portfolio, accounting for 52.8%, 52.0% and 58.2% of the Group's total debt securities portfolio as of December 31, 2015, 2016 and 2017, respectively. The Group's holding in debt securities issued by policy banks increased by 8.2% from RMB13,508.9 million as of December 31, 2015 to RMB14,613.7 million as of December 31, 2016 and further increased to RMB21,625.3 million as of December 31, 2017, primarily due to the Group's increased investments in such debt securities to improve liquidity management.

The Group's holding of PRC government bonds increased from RMB5,687.6 million as of December 31, 2015 to RMB10,071.0 million as of December 31, 2016, and further increased to RMB12,839.4 million as of December 31, 2017, primarily due to the Group's increased investment in PRC government bonds with higher liquidity and relative low risk in order to maintain its liquidity.

The Group's holding of bonds issued by PRC commercial banks and other financial institutions decreased from RMB3,167.5 million as of December 31, 2015 to RMB1,035.8 million as of December 31, 2016, primarily because it adjusted its investment strategy by allocating more resources and funds to other investments with higher yields. The Group's holding of bonds issued by PRC commercial banks and other financial institutions increased from RMB1,035.8 million as of December 31, 2016 to RMB1,635.7 million as of December 31, 2017. The turbulence in the amount of the Group's holding of bonds issued by the PRC banks and other financial institutions was mainly caused by the Group's efforts in actively adjusting its asset portfolio structure to improve its liquidity.

The Group's holding of bonds issued by other PRC enterprises decreased from RMB3,216.8 million as of December 31, 2015 to RMB2,401.8 million as of December 31, 2016 and further decreased to RMB1,078.0 million as of December 31, 2017 primarily because the Group limited its credit risk exposure during the PRC economic slowdown by reducing its investment in high risk corporate debt securities.

The following table sets forth the balance of the Group's debt securities portfolio by remaining maturity as of the date indicated.

	As of December 31, 2017					
	Overdue	Due within 3 months	Due between 3 to 12 months	Due over 1 year up to 5 years	Due in more than 5 years	Total
	(in millions of RMB)					
PRC government bonds	–	–	974.1	6,331.5	5,533.8	12,839.4
Bonds issued by PRC policy banks	–	–	1,751.5	10,590.5	9,283.3	21,625.3
Bonds issued by PRC commercial banks and other financial institutions	–	10.0	200.5	30.0	1,395.2	1,635.7
Bonds issued by other PRC enterprises	–	50.0	55.0	973.0	–	1,078.0
Total	**–**	**60.0**	**2,981.1**	**17,925.0**	**16,212.3**	**37,178.4**

The following table sets forth a breakdown of the Group's debt securities between fixed interest rates and floating interest rates as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Fixed interest rates	25,230.9	98.6%	27,922.3	99.3%	37,178.4	100.0%
Floating interest rates	349.9	1.4%	200.0	0.7%	–	–
Total debt securities investments	**25,580.8**	**100.0%**	**28,122.3**	**100.0%**	**37,178.4**	**100.0%**

Equity Investment

The Group's equity investment remained at RMB10.3 million as of December 31, 2015, 2016 and 2017, respectively.

Fund Investment

As of December 31, 2015, 2016 and 2017, the Group's fund investment accounted for 0.3%, 17.0% and 7.7% of the Group's Investments, respectively. The Group's fund investment increased significantly from RMB213.3 million as of December 31, 2015 to RMB26,996.0 million as of December 31, 2016 primarily because the Group diversified its investment portfolio to include fund investment as (i) it offers more stable source of income; and (ii) it offers higher return and higher liquidity. The Group's fund investment decreased from RMB26,996.0 million as of December 31, 2016 to RMB14,730.3 million as of December 31, 2017 primarily because the Group adjusted its investment strategy by allocating more resources and funds to other investments with higher yields.

Wealth Management Products Issued by Other PRC Commercial Banks

The Group's holding of wealth management products issued by other PRC commercial banks increased significantly from RMB1,512.5 million as of December 31, 2015 to RMB5,810.0 million as of December 31, 2016 primarily because (i) the Group grew and expanded its interbank businesses; and (ii) it sought higher investment returns within controllable risks. The Group's holding of wealth management products issued by other PRC commercial banks decreased by 30.8% as of December 31, 2016 to RMB4,020.3 million as of December 31, 2017, primarily because the Group adjusted its investment strategy by allocating more resources and funds to other investments with higher yields.

The following table sets forth a breakdown of the Group's balance of the wealth management products issued by other PRC commercial banks in which the Group invested by category as of the dates indicated.

	As of December 31,		
	2015	2016	2017
	Amount	Amount	Amount
	(in millions of RMB)		
Principal protected	1,012.5	2,026.6	3,308.9
Non-principal protected	500.0	3,783.4	711.4
Balance of wealth management products	1,512.5	5,810.0	4,020.3

The Group's holding of principal protected wealth management products increased from RMB1,012.5 million as of December 31, 2015 to RMB2,026.6 million as of December 31, 2016 and further increased to RMB3,308.9 million as of December 31, 2017 primarily in line with its risk management strategy to invest in products with secured return.

The Group's holding of non-principal protected wealth management products increased significantly from RMB500.0 million as of December 31, 2015 to RMB3,783.4 million as of December 31, 2016, primarily reflecting the Group's strategies to increase its investments in these products in order to seek higher investment returns while keep associated risks within permitted range according to its risk management policy. The Group's holding of non-principal protected wealth management products decreased to RMB711.4 million as of December 31, 2017, primarily because it adjusted its investment strategy by allocating more resources and funds to other investments with higher yields.

For more information, please see "Business – The Group's Principal Business Activities – Financial Markets – Wealth Management Products Issued by Other PRC Commercial Banks".

Asset Management Plans

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Assets Management Plans						
Available for sale financial assets	3,912.7	19.4%	35,197.6	64.9%	28,894.5	44.4%
Investments classified as receivables	16,249.3	80.6%	19,047.2	35.1%	36,215.0	55.6%
Total	20,162.0	100.0%	54,244.8	100.0%	65,109.5	100.0%

The Group's asset management plans primarily invest in fixed income credit assets, bank bills, bonds, etc. The Group's holding of asset management plans increased significantly from RMB20,162.0 million as of December 31, 2015 to RMB54,244.8 million as of December 31, 2016, and further increased to RMB65,109.5 million as of December 31, 2017, which was primarily due to the Group continued efforts in optimizing its investment portfolio by investing in credits assets, bank bills, bonds and assets backed securities which generally has higher investment yield.

For more information, please see "Business – The Group's Principal Business Activities – Financial Markets – Asset Management Plans".

Trust Plans

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Trust Plans						
Available for sale financial assets	3,314.2	10.6%	640.0	1.5%	4,289.4	6.4%
Investments classified as receivables	27,941.8	89.4%	41,271.4	98.5%	63,091.5	93.6%
Total	31,256.0	100.0%	41,911.4	100.0%	67,380.9	100.0%

The Group's trust plans primarily invests in fixed-income credit assets. The Group's holding of trust plans increased by 34.1% from RMB31,256.0 million as of December 31, 2015 to RMB41,911.4 million as of December 31, 2016, and further increased by 60.8% to RMB67,380.9 million as of December 31, 2017, primarily because the Group adjusted its investments strategy and allocated more funds into trust plans which has a relatively higher return while at the same time maintaining strict risk control.

For more information, please see "Business – The Group's Principal Business Activities – Financial Markets – Trust Plans".

For details relating to the Group's risk management relating to the Group's investment in Non-standard Credit Assets, please see "Risk Management – Credit Risk Management – Credit Risk Management for the Group's Financial Markets Business – Credit Risk Management for Investments in Standard Investment Products and Non-Standard Credit Assets".

Distribution of Investments by Investment Intention

The Group's Investments 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) investment classified as receivables, primarily based on the Group's investment intentions. Financial assets at fair value through profit or loss are (i) financial assets held for trading purposes and (ii) financial assets the Group 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 the Group intend to and are able to hold to maturity. Investment classified as 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, held-to-maturity investments, or investment classified as receivables.

The following table sets forth the distribution of the Group's Investments by the Group's investment intention as of the dates indicated. For further details on the components of each category of the Group's Investments, see Notes 17, 20, 21 and 22 to the Group's historical financial information included in the Accountants' Reports in Appendix I attached to this prospectus.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Financial assets at fair value through profit or loss	5,367.7	6.7%	71.3	–	587.8	0.3%
Held-to-maturity investments	16,586.4	20.8%	20,063.2	12.8%	25,620.4	13.6%
Available-for-sale financial assets	12,004.4	15.1%	74,615.1	47.4%	59,606.1	31.6%
Investment classified as receivables	45,724.0	57.4%	62,582.4	39.8%	102,615.4	54.5%
Total	**79,682.5**	**100.0%**	**157,332.0**	**100.0%**	**188,429.7**	**100.0%**

The Group's financial assets at fair value through profit or loss consist primarily of debt securities issued by PRC policy banks, debt securities issued by PRC commercial banks and other financial institutions and debt securities issued by PRC corporate entities and these are classified as financial assets at fair value through profit or loss. The Group's financial assets at fair value through profit or loss decreased significantly from RMB5,367.7 million as of December 31, 2015 to RMB71.3 million as of December 31, 2016 primarily because the Group reduced its allocation of funds to debt securities issued by PRC commercial banks and other financial institutions and debt securities issued by other PRC enterprises in order to manage its market risks caused by the tight liquidity in the PRC financial markets in the second half of 2016. The Group's financial assets at fair value through profit or loss increased significantly to RMB587.8 million as of December 31, 2017 primarily because the Group significantly increased its holding of PRC government bonds and debt securities issued by commercial banks and other financial institutions, which have a higher liquidity in order to manage liquidity risk.

The Group's held-to-maturity investments consist primarily of debt securities issued by the PRC Government and PRC policy banks. The Group's held-to-maturity investments increased by 21.0% from RMB16,586.4 million as of December 31, 2015 to RMB20,063.2 million as of December 31, 2016, and further increased by 27.7% to RMB25,620.4 million as of December 31, 2017, primarily because the Group increased its holding of debt securities issued by the PRC Government and PRC policy banks in order to achieve higher liquidity and at the same time to manage its liquidity risk.

The Group's available-for-sale financial assets consist primarily of debt securities issued by PRC Government, PRC policy banks and PRC commercial banks and other financial institution, fund investments, assets management plans, trust plans, and equity investments and these are classified as available-for-sale financial assets. The Group's available-for-sale financial assets increased significantly from RMB12,004.4 million as of December 31, 2015 to RMB74,615.1 million as of December 31, 2016, which was primarily because the Group actively expand its financial markets business after the Acquisition and increased its holding of assets with relatively higher returns such as fund investments, and investments in trust plans and asset management plans. The Group's available-for-sale financial assets decreased to RMB59,606.1 million as of December 31, 2017, primarily because the Group allocated more resources into other investments that have a higher liquidity in order to manage its liquidity risk exposure.

The Group's investment classified as receivables consist of trust plans, asset management plans and wealth management products issued by other PRC commercial banks and these are classified as receivables. The Group's investment classified as receivables increased from RMB45,724.0 million as of December 31, 2015 to RMB62,582.4 million as of December 31, 2016, and further increased to RMB102,615.4 million as of December 31, 2017, primarily because the Group optimized its assets portfolio structure by investing in trust plans and asset management plans which generally have higher yield returns.

Distribution of Investments by Remaining Maturities

The table below sets forth the distribution of the Group's Investments by remaining maturities as of the date indicated.

	As of December 31, 2017							
	Repayable on demand	Due in 1 month or less	Due over 1 month up to 3 months	Due over 3 months up to 12 months	Due over 1 year up to 5 years	Due in more than 5 years	Indefinite	Total
	(in millions of RMB)							
Financial assets at fair value through profit or loss . . .	–	10.0	–	307.8	168.2	101.8	–	587.8
Held-to-maturity investments	–	–	–	2,423.6	12,562.6	10,634.2	–	25,620.4
Available-for-sale financial assets . .	14,730.3	422.8	2,932.4	6,332.4	29,701.8	5,476.1	10.3	59,606.1
Investments classified as receivables	170.6	4,671.7	5,452.3	8,104.1	54,817.5	28,916.0	483.2	102,615.4
Total	**14,900.9**	**5,104.5**	**8,384.7**	**17,167.9**	**97,250.1**	**45,128.1**	**493.5**	**188,429.7**

Carrying Value and Fair Value

All investment securities classified as available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value. The following table sets forth the carrying value and the fair value of the held-to-maturity investments in the Group's investment portfolio as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(in millions of RMB)					
Held-to-maturity investments	16,586.4	17,161.9	20,063.2	20,133.4	25,620.4	24,653.8

Investment classified as receivables are stated in the Group's financial statements at amortized cost. As of December 31, 2015, 2016 and 2017, the carrying value of the Group's investment classified as receivables was substantially the same as their fair value.

Investment Concentration

The table below sets forth the ten largest of the Group's Investments whose carrying value exceeded 10% of the Group's total equity as of the date indicated.

	As of December 31, 2017			
Issuer	Carrying value	% of total Investments	% of total equity(1)	Market/ fair value
	(in millions of RMB, except percentage)			
Investment A	26,111.4	13.72%	112.20%	26,111.4
Investment B	14,809.1	7.78%	63.63%	14,809.1
Investment C	11,711.9	6.15%	50.33%	11,404.1
Investment D	11,013.9	5.79%	47.33%	10,830.6
Investment E	8,768.8	4.61%	37.68%	8,768.8
Investment F	7,121.3	3.74%	30.60%	7,121.3
Investment G	6,690.8	3.52%	28.75%	6,490.9
Investment H	6,531.6	3.43%	28.07%	6,344.5
Investment I	5,850.6	3.07%	25.14%	5,850.6
Investment J	5,844.4	3.07%	25.11%	5,844.4
Total	**104,453.8**	**54.89%**	**448.84%**	**103,575.7**

Note:

(1) The percentage of the Group's total equity was calculated on carrying value.

Financial Assets Held under Resale Agreements

The Group's financial assets held under resale agreements consist primarily of discounted bills and debt securities which the Group held under resale agreements with PRC commercial banks and other financial institutions. The Group's financial assets held under resale agreements decreased from RMB10,093.5 million as of December 31, 2015 to RMB5,658.0 million as of December 31, 2016 primarily because the Group adjusted its assets structure by decreasing its investment in bills held under resale agreements with relatively low yield. The Group's financial assets held under resale agreements increased to RMB6,180.1 million as of December 31, 2017 primarily because the Group sought to invest in financial assets with higher liquidity and stable returns.

For details of the interest income and average yield of the Group's financial assets held under resale agreements, see "Financial Information – Results of Operation For The Years Ended December 31, 2016 and 2017 – Net Interest Income" and "Financial Information – Results of Operation For The Years Ended December 31, 2015 and 2016 – Net Interest Income".

The table below sets forth the distribution of the Group's financial assets held under resale agreements as of the date indicated.

	As of December 31,		
	2015	2016	2017
	(in millions of RMB)		
Analyzed by collateral type			
Bills	3,597.5	–	–
Debt securities	6,496.0	5,658.0	6,180.1
Total	**10,093.5**	**5,658.0**	**6,180.1**

The Group's holding of bills held under resale agreements decreased significantly from RMB3,597.5 million as of December 31, 2015 to nil as of December 31, 2016 and as of December 31, 2017 primarily because the Group suspended its investment in bills held under resale agreements due to their high costs.

The Group's holding of debt securities decreased by 12.9% from RMB6,496.0 million as of December 31, 2015 to RMB5,658.0 million as of December 31, 2016 primarily because the Group optimized its asset structures by decreasing its holding in debt securities with relatively low yield and managing its market risk due to the tight liquidity in the PRC financial markets in the second half of 2016. The Group's holding of bonds held under resale agreements increased to RMB6,180.1 million as of December 31, 2017 as the Group sought higher liquidity assets and stable returns.

Other Components of The Group's Assets

Other components of the Group's assets consist primarily of (i) cash and deposits with the central bank, (ii) deposits with banks and other financial institutions, (iii) placements with banks and other financial institutions, (iv) interest in associates, (v) property and equipment, (vi) deferred tax assets and (vii) other assets.

Cash and deposits with the central bank consist primarily of cash, statutory deposit reserves, and surplus deposit reserves. Statutory deposit reserves represent the minimum level of cash deposits that the Group is required to maintain with the PBoC. The minimum level is determined as a percentage of the Group's deposits from customers. For details of changes in statutory deposit reserve ratio, please see "Supervision and Regulation – Statutory Deposit Reserve". Surplus deposit reserves are deposits with the PBoC in excess of statutory deposit reserves which the Group maintains for clearing purposes. As of December 31, 2015, 2016 and 2017, the Group's cash and deposits with the central bank amounted to RMB26,984.0 million, RMB34,820.5 million and RMB40,039.2 million, respectively. The increase in the Group's cash and deposits with the central bank was primarily due to an increase in the Group's statutory deposit reserves in line with an increase of the Group's deposits from customers.

Deposits with banks and other financial institutions consist primarily of the Group's balances maintained with other banks and financial institutions for settlement and clearance purposes and negotiated deposits with other PRC banks. The Group's deposits with banks and other financial institutions decreased by 32.2% from RMB6,816.8 million as of December 31, 2015 to RMB4,625.0 million as of December 31, 2016 and further decreased to RMB1,818.2 million as of December 31, 2017, primarily because the Group allocated more funds to debt securities investments and investments classified as receivables which usually have higher returns than deposits with banks and other financial institutions.

The Group lends funds to banks and other financial institutions through the lending market. As of December 31, 2015, 2016 and 2017, the Group's placements with banks and other financial institutions was nil, nil and RMB500.0 million, respectively.

The Group's interests in associates consist primarily of the Bank's investment in village and township banks. The Group's interests in associates increased by RMB1.1 million from RMB116.1 million as of December 31, 2015 to RMB117.2 million as of December 31, 2016, and further increased to RMB129.3 million as of December 31, 2017. As of December 31, 2017, the Bank held 28.2% equity interest in Nanchang Dafeng County Bank, 30.0% equity interest in Nanfeng Judu County Bank, 20.0% equity interest in Siping Tiedong Defeng County Bank, 30.0% equity interest in Guangchang Nanyin County Bank and 30.0% equity interest in Jinxian Ruifeng County Bank. These banks provide deposit and loan services to local customers in their respective villages and towns.

The Group's property and equipment increased by 4.5% from RMB2,413.1 million as of December 31, 2015 to RMB2,520.7 million as of December 31, 2016 and further increased to RMB2,642.9 million as of December 31, 2017 which was in line with the expansion of the Group's scale of business.

The Group's deferred tax assets increased by 38.8% from RMB826.0 million as of December 31, 2015 to RMB1,146.6 million as of December 31, 2016, and further increased to RMB1,522.6 million as of December 31, 2017, which is primarily caused by an increase in the Group's allowance for impairment of assets as a result of increase in loans to customers.

The Group's other assets consist primarily of interest receivable, suspense account for clearing, long-term deferred expenses, intangible assets, repossessed assets, prepayments for acquisition, investment property, input VAT to be credited, land use right and others. The Group's other assets increased by 48.8% from RMB2,263.4 million as of December 31, 2015 to RMB3,367.2 million as of December 31, 2016, and further increased to RMB3,973.9 million as of December 31, 2017, primarily due to the increase in interest receivables as a result of increases in the Group's investment and loans and advances to customers.

LIABILITIES AND SOURCES OF FUNDS

The Group's total liabilities increased by 52.7% from RMB191,645.6 million as of December 31, 2015 to RMB292,568.5 million as of December 31, 2016, and further increased by 18.5% to RMB346,733.2 million as of December 31, 2017, primarily due to increases in the Group's deposits from customers, deposits from banks and other financial institutions and debt securities issued.

The following table sets forth the components of the Group's total liabilities as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Deposits from customers	144,038.1	75.1%	191,137.8	65.3%	243,837.4	70.3%
Deposits from banks and other financial institutions	13,155.4	6.9%	30,829.3	10.5%	29,820.0	8.6%
Borrowing from the central bank	600.0	0.3%	6,000.0	2.1%	4,022.3	1.2%
Borrowings from banks and other financial institutions	100.0	0.1%	6,480.0	2.2%	8,450.0	2.5%
Placements from banks and other financial institutions	149.2	0.1%	77.7	–	1,350.0	0.4%
Financial assets sold under repurchase agreements	12,705.6	6.6%	8,432.6	2.9%	6,689.1	1.9%
Income tax payable	0.2	–	432.7	0.2%	495.5	0.1%
Debt securities issued	17,362.2	9.1%	43,786.6	15.0%	43,473.8	12.5%
Other liabilities(1)	3,534.9	1.8%	5,391.8	1.8%	8,595.1	2.5%
Total liabilities	191,645.6	100.0%	292,568.5	100.0%	346,733.2	100.0%

Note:

(1) Consist primarily of interest payable, other tax payables, accrued staff cost and bills payable.

Deposits from Customers

Deposits from customers have historically been the Group's primary source of funding, representing 75.1%, 65.3% and 70.3% of the Group's total liabilities as of December 31, 2015, 2016 and 2017, respectively. The Group provides demand and time deposit products to corporate and retail banking customers. The following table sets forth the Group's deposits from corporate and retail banking customers by product type as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate deposits						
Demand	52,551.4	36.5%	81,574.3	42.6%	113,707.6	46.6%
Time(1)	52,558.4	36.5%	63,789.7	33.4%	70,378.2	28.9%
Sub-total	105,109.8	73.0%	145,364.0	76.0%	184,085.8	75.5%
Personal deposits						
Demand	10,138.7	7.0%	13,632.3	7.1%	20,862.1	8.6%
Time(1)	28,789.6	20.0%	32,141.5	16.9%	38,889.5	15.9%
Sub-total	38,928.3	27.0%	45,773.8	24.0%	59,751.6	24.5%
Total deposits from customers	**144,038.1**	**100.0%**	**191,137.8**	**100.0%**	**243,837.4**	**100.0%**

Note:

(1) Include principal protected wealth management products, which the Group classifies as deposits from customers pursuant to PRC regulations.

The Group's total deposits from customers increased by 32.7% from RMB144,038.1 million as of December 31, 2015 to RMB191,137.8 million as of December 31, 2016, and further increased by 27.6% to RMB243,837.4 million as of December 31, 2017, primarily due to (i) increases in both corporate and personal deposits, and (ii) the Group's continued efforts to develop the Group's deposit business by developing institutional customers and diversifying the Group's retail banking products.

The Group's corporate deposits increased by 38.3% from RMB105,109.8 million as of December 31, 2015 to RMB145,364.0 million as of December 31, 2016, and further increased to RMB184,085.8 million as of December 31, 2017, primarily due to (i) the Group's continuous effort in developing its corporate banking business since the Acquisition and (ii) the growth of the Group's small and medium corporate client base as a result of continued marketing efforts.

The Group's personal deposits increased by 17.6% from RMB38,928.3 million as of December 31, 2015 to RMB45,773.8 million as of December 31, 2016, and further increased to RMB59,751.6 million as of December 31, 2017, primarily due to (i) the Group's continued effort in developing its retail banking business by introducing various saving plans and products; and (ii) the Group's expansion of its branch network and electronic banking distribution channel as a result of its overall business growth.

Please see "Risk Factors – If the Group fails to maintain the growth rate of its deposits from customers or its deposits from customers decrease substantially, the Group's liquidity, financial position and operating results could be materially and adversely affected" in this prospectus.

Distribution of Deposits from Customers by Geographical Region

The Group classified the geographic distribution of deposits based on the location of the branch or sub-branch taking the deposits. The following table sets forth the distribution of the Group's deposits from customers by geographic region as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Nanchang	89,891.6	62.4%	115,715.7	60.5%	139,384.0	57.2%
Jiangxi Province (excluding Nanchang)	42,615.2	29.6%	62,254.4	32.6%	86,385.6	35.4%
Outside of Jiangxi Province	11,531.3	8.0%	13,167.7	6.9%	18,067.8	7.4%
Total deposits from customers	**144,038.1**	**100.0%**	**191,137.8**	**100.0%**	**243,837.4**	**100.0%**

Distribution of Deposits from Customers by Currency

Substantially all of the Group's deposits are Renminbi-denominated deposits. The following table sets forth the distribution of the Group's deposits from customers by currency as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
RMB-denominated deposits	142,933.6	99.2%	190,438.0	99.6%	242,962.9	99.7%
USD-denominated deposits	1,099.8	0.8%	662.1	0.4%	840.4	0.3%
Other foreign currency-denominated deposits	4.7	–	37.7	–	34.1	–
Total deposits from customers	**144,038.1**	**100.0%**	**191,137.8**	**100.0%**	**243,837.4**	**100.0%**

Distribution of Deposits from Customers by Remaining Maturity

A majority of the Group's deposits from customers as of December 31, 2017 were demand deposits. The following table sets forth the distribution of the Group's deposits from customers by remaining maturity as of the date indicated.

	As of December 31, 2017											
	Repayable on demand		Due in less than 3 months		Due over 3 months up to 12 months		Due over 1 year up to 5 years		Due in more than 5 years		Total	
	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits
	(in millions of RMB, except percentages)											
Corporate deposit	113,707.6	46.7%	17,635.6	7.2%	14,645.9	6.0%	37,105.4	15.2%	991.3	0.4%	184,085.8	75.5%
Personal deposit	20,862.1	8.6%	13,042.2	5.3%	12,471.9	5.1%	13,374.4	5.5%	1.0	–	59,751.6	24.5%
Total deposits from customers	**134,569.7**	**55.3%**	**30,677.8**	**12.5%**	**27,117.8**	**11.1%**	**50,479.8**	**20.7%**	**992.3**	**0.4%**	**243,837.4**	**100.0%**

During the Track Record Period, a majority of the Group's deposits from customers were repayable on demand, representing 55.3% of the Group's total deposits as of December 31, 2017. As of December 31, 2017, the Group's corporate deposits repayable on demand accounted for 46.7% of the Group's total deposits and personal deposits repayable on demand accounted for 8.6% of the Group's total deposits.

Distribution of Corporate Deposits by Size

The following table sets forth the distribution of the Group's corporate deposits, in terms of total balance of deposits from a single corporate customer, by size of the deposits as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
RMB500 million or more	17,025.5	16.2%	35,122.5	24.2%	51,093.7	27.8%
RMB100 million up to RMB500 million	31,917.1	30.4%	48,476.4	33.3%	58,887.4	32.0%
RMB50 million up to RMB100 million	15,555.1	14.8%	19,676.9	13.5%	27,686.4	15.0%
RMB10 million up to RMB50 million	22,755.0	21.6%	25,664.0	17.7%	29,617.0	16.1%
RMB5 million up to RMB10 million	6,256.3	6.0%	5,619.2	3.9%	6,326.2	3.4%
Less than RMB5 million	11,600.8	11.0%	10,805.0	7.4%	10,475.1	5.7%
Total corporate deposits from customers	**105,109.8**	**100.0%**	**145,364.0**	**100.0%**	**184,085.8**	**100.0%**

Distribution of Personal Deposits by Size

The following table sets forth the distribution of the Group's personal deposits, in terms of total balance of deposits from a single retail banking customer, by size of the deposits as of the dates indicated.

	As of December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
More than RMB5 million	8,177.6	21.0%	9,411.2	20.6%	12,729.9	21.3%
RMB1 million up to RMB5 million	3,891.9	10.0%	4,370.2	9.5%	5,335.2	8.9%
RMB500,000 up to RMB1 million	2,587.8	6.6%	3,507.2	7.7%	5,092.1	8.5%
RMB200,000 up to RMB500,000	5,257.4	13.5%	6,366.8	13.9%	9,235.1	15.5%
RMB150,000 up to RMB200,000	1,827.8	4.7%	2,395.7	5.2%	3,476.6	5.8%
RMB100,000 up to RMB150,000	2,712.4	7.0%	3,194.3	7.0%	4,106.2	6.9%
RMB50,000 up to RMB100,000	5,067.9	13.0%	6,367.2	13.9%	8,360.3	14.0%
RMB10,000 up to RMB50,000	7,339.0	18.9%	8,086.6	17.7%	9,187.6	15.4%
Less than RMB10,000	2,066.5	5.3%	2,074.6	4.5%	2,228.6	3.7%
Total personal deposits from customers	**38,928.3**	**100.0%**	**45,773.8**	**100.0%**	**59,751.6**	**100.0%**

Other Components of The Group's Liabilities

Other components of the Group's liabilities consisted primarily of (i) deposits from banks and other financial institutions, (ii) borrowing from the central bank, (iii) borrowings from banks and other financial institutions, (iv) placements from banks and other financial institutions, (v) financial assets sold under repurchase agreements, (vi) notes payable, (vii) income tax payable, (viii) debt securities issued and (ix) other liabilities.

The Group's deposits from banks and other financial institutions increased significantly from RMB13,155.4 million as of December 31, 2015 to RMB30,829.3 million as of December 31, 2016 primarily attributable to the Group's increasing funding needs in line with the growth of the Group's interbank businesses. This amount slightly decreased to RMB29,820.0 million as of December 31, 2017 primarily because the Group relied more on deposits to fund its business in 2017 to reduce costs.

The Group's borrowing from the central bank increased significantly from RMB600.0 million as of December 31, 2015 to RMB6,000.0 million as of December 31, 2016. The Group's borrowing from the central bank decreased to RMB4,022.3 million as of December 31, 2017. The Group adjusted its borrowing from the central bank in line with its business development and liquidity management needs during the Track Record Period.

Borrowings from banks and other financial institutions consist primarily of money market borrowings. As of December 31, 2015, 2016 and 2017, borrowings from banks and other financial institutions amounted to RMB100.0 million, RMB6,480.0 million and RMB8,450.0 million, respectively, which is mainly attributable to the Group's subsidiary, Jiangxi Financial Leasing's working capital needs, which was established in November 2015.

Placements from banks and other financial institutions consist primarily of money market borrowings. As of December 31, 2015, 2016 and 2017, placements from banks and other financial institutions amounted to RMB149.2 million, RMB77.7 million and RMB1,350.0 million, respectively. The Group mainly used placements from banks and other financial institutions for liquidity management and business development.

Financial assets sold under repurchase agreements consist primarily of debt securities and bills the Group sold under repurchase agreements. As of December 31, 2015, 2016 and 2017, financial assets sold under repurchase agreements were RMB12,705.6 million, RMB8,432.6 million and RMB6,689.1 million, respectively. The decreases in financial assets sold under repurchase agreements were primarily because the Group actively decreased its participation in transactions involving bills sold under repurchase agreements to obtain funds, which generally have higher costs compared with other products. For details of the interest expense and average costs of the Group's financial assets sold under repurchase agreements, see "Financial Information – Results of Operation For The Years Ended December 31, 2016 and 2017 – Net Interest Income" and "Financial Information – Results of Operation For The Years Ended December 31, 2015 and 2016 – Net Interest Income". The Group's net risk exposure from financial assets held under resale agreements and financial assets sold under repurchase agreements as of December 31, 2017 was RMB509.0 million. For details of the interest income and average yield of the Group's financial assets held under resale agreements, see "Financial Information – Results of Operation For The Years Ended December 31, 2016 and 2017 – Net Interest Income" and "Financial Information – Results of Operation For The Years Ended December 31, 2015 and 2016 – Net Interest Income".

Debt securities issued consisted primarily of a number of debt securities and green bonds the Group issued during the Track Record Period. For details of the Group's debt securities issued, please see "Financial Information — Capital Resources — Debt — Debt Securities Issued". The Group's debt securities issued amounted to RMB17,362.2 million, RMB43,786.6 million and RMB43,473.8 million as of December 31, 2015, 2016 and 2017, respectively.

The Group's other liabilities consisted primarily of interest payable, other tax payable, accrued staff cost and notes payable. The Group's other liabilities increased by 52.5% from RMB3,534.9 million as of December 31, 2015 to RMB5,391.8 million as of December 31, 2016 and further increased to RMB8,595.1 million as of December 31, 2017, primarily due to expansion of the Group's business.

You should read the discussion and analysis set forth in this section in conjunction with the Group's historical financial information, together with the accompanying notes, included in Appendix I to this prospectus. The Group's 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 the Group's financial statements prepared in accordance with PRC GAAP.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors".

OVERVIEW

The Bank is the only provincial city commercial bank in Jiangxi Province, China. In 2017, the Bank ranked 329th among the "Top 1000 World Banks" in terms of tier-one capital as of December 31, 2016 and 22nd among all PRC city commercial banks in terms of total assets as of December 31, 2016 by *The Banker*. According to the PBoC, in terms of balance of RMB-denominated deposits at the end of 2017, the Bank ranked sixth among all banks in Jiangxi Province and first among all banks in Nanchang.

The Group invested in building up a business network with comprehensive coverage across Jiangxi Province, Guangzhou and Suzhou. As of December 31, 2017, the Group had one head office, 13 branches (including in Guangzhou and Suzhou), one Small Business Credit Centre, 262 sub-branches (including 167 city-level sub-branches and 95 county-level sub-branches) and one subsidiary namely Jiangxi Financial Leasing, a total of 278 outlets, which covered 11 districted cities in Jiangxi Province and 63 counties, representing approximately 87.0% of all counties across Jiangxi Province. In addition, leveraging favorable policies promulgated by the PRC Government, including Jiangxi Gan River New District (江西贛江新區), together with the implementation of the national strategy of promoting the Yangtze River Economic Belt and the "Belt and Road" (一帶一路) initiative, the Group has successfully established and enhanced its long-term relationships with government agencies, public institutions and enterprises with strategic importance in Jiangxi Province and China. As of the Latest Practicable Date, the Group's corporate banking customers included many leading state-owned and private enterprises in Jiangxi Province, covering a wide range of industries.

The Group's total assets increased from RMB211,448.8 million as of December 31, 2015 to RMB370,005.3 million as of December 31, 2017, representing a CAGR of approximately 32.3%. From 2015 to 2017, the Group's operating income increased from RMB6,892.3 million to RMB9,452.3 million, representing a CAGR of 17.1%; and the Group's net profit increased substantially from RMB772.8 million to RMB2,914.8 million, representing a CAGR of 94.2%.

GENERAL FACTORS THAT AFFECT THE GROUP'S RESULTS OF OPERATIONS

The Group's 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 Jiangxi Province

As a city commercial bank whose distribution network primarily focuses on Jiangxi Province, the Group's financial condition and results of operations are affected by the economic conditions of the PRC, in particular, the Jiangxi Province and the macroeconomic policies implemented by the PRC Government. In addition, the Group has established Guangzhou and Suzhou Branches outside of Jiangxi Province and its financial condition and results of operations are affected by the economic conditions in Guangzhou and Suzhou.

From 2011 to 2016, according to the NBS, the PRC's GDP grew at a CAGR of 8.7%. The PRC's economic growth has resulted in a substantial increase in corporate financing activities and individual wealth, which has in turn contributed to the rapid growth of the corporate and retail banking business of PRC commercial banks. For example, according to the PBoC, from December 31, 2012 to December 31, 2017, total loans and deposits in the PRC banking industry grew at a CAGR of 13.3% and 12.4%, respectively. According to CBRC, total assets of PRC financial institutions in the banking industry have reached RMB252.4 trillion as of December 31, 2017, representing a CAGR of 15.4% from December 31, 2011.

After three decades of rapid development, China's economy has entered a "new normal" stage, where the economy experiences a transition where the target is to achieve sustainable growth emphasizing efficiency and quality over quick expansion. In 2016, China's real GDP growth rate was 6.7%. The slowdown of growth in the overall economy and certain industries in China may affect the results of operations and financial condition of PRC commercial banks.

As the Group's operating income was primarily derived from Jiangxi Province during the Track Record Period, the current and future economic conditions of Jiangxi Province may affect the Group's business, results of operations and financial condition. In recent years, the PRC Government has promulgated a series of favorable policies encouraging the development of Jiangxi Province's economy, in line with the national strategy of investing in promotion of domestic consumption and upgrade of economic structure. These policies further enhanced the prestigious position of Jiangxi Province in China's economy as a key sector connecting developed areas in China, such as the Pearl River Delta area and Yangtze River Delta area, with less developed inland areas of China, for both logistics and industrial transfer. As a result, Jiangxi Province has experienced rapid growth in infrastructure, manufacturing, environmental protection and financial industry in recent years. In particular, in June 2016, the State Council approved the establishment of Jiangxi Gan River New District (江西贛江新區), which is the second national new district in Central China and one of the first five Green Financial Reform and Innovation Pilot Districts (綠色金融改革創新試驗區) in China. These policies, together with the implementation of the national strategy of promoting the Yangtze River Economic Belt and the "Belt and Road" (一帶一路) initiative, are expected to ensure further improvement and sustainable development of Jiangxi Province's economy. Please also see "Risk Factors — Risks Relating to the Group's Business — The Group faces risks and uncertainties associated with national and local government policies and initiatives adopted to promote local economic development."

In recent years, the PRC Government has implemented a series of macroeconomic and monetary policies, including (i) adjusting the benchmark interest rates and the PBoC statutory deposit reserve ratios for commercial banks, as well as gradually liberalizing the regulation on 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 example, on March 1, 2016, the PBoC lowered the statutory deposit reserve ratio by 50 basis points for all deposit-taking financial institutions, which lowered banks' funding cost and increased their liquidity. These macroeconomic and monetary policies have had significant impact on lending activities of PRC commercial banks and borrowers' demand for bank financing, which in turn may affect the business, results of operations and financial condition of PRC commercial banks, including the Group.

Interest Rates

The Group's operating income depends substantially on its net interest income. For the years ended December 31, 2015, 2016 and 2017, the Group's net interest income accounted for 90.6%, 87.1% and 79.1% of its total operating income, respectively. Net interest income is affected by interest rates and the daily average balance of the Group's interest-earning assets and interest-bearing liabilities. Interest rates applicable to the Group are affected by many factors that are beyond the Group's control, such as the benchmark interest rates set by the PBoC, regulations in the banking and financial sectors in the PRC, domestic and international economic and political conditions, and competition in the PRC banking industry.

In the PRC, interest rates on RMB-denominated loans and deposits are set by financial institutions with reference to the benchmark interest rates on loans and deposits published and adjusted from time to time by the PBoC. The PBoC has, in the past few years, made multiple downward adjustments to the benchmark interest rates for deposits and loans. In October 2015, the PBoC further lowered the benchmark interest rates for RMB-denominated deposits and loans to 1.50% and 4.35%, respectively. The PBoC's interest rate adjustments for loans and deposits may be asymmetrical in certain circumstances, which may impact the Group's net interest spread.

In recent years, China has continued its interest rate liberalization and moved towards a market-based interest rate regime. Effective from June 8, 2012, the PBoC allowed financial institutions to set interest rates on RMB-denominated deposits up to 110% of the PBoC benchmark rates, and this cap was subsequently raised to 120%, 130% and 150% of the PBoC benchmark rates on November 22, 2014, March 1, 2015 and May 11, 2015, respectively. Effective from August 26, 2015, the PBoC removed the interest rate cap on RMB-denominated time deposits with maturities over one year. Effective from October 24, 2015, the PBoC removed the interest rate cap on RMB-denominated demand deposits as well as time deposits with maturities within one year. On July 20, 2013, the PBoC abolished the floor rates for RMB-denominated loans (except for interest rates on residential mortgage loans) and allowed financial institutions to set interest rates based on commercial considerations. The liberalization of interest rates may bring more competition in the PRC banking industry, thereby affecting the Group's business, results of operations and financial condition.

In addition, the liberalization of interest rates and market competition may lead to a decrease in net interest spread for the Group's interbank businesses. For instance, the average yield of the Group's deposits with banks and other financial institutions was 3.45%, 3.01% and 1.17% in 2015, 2016 and 2017, respectively, while the average cost of the Group's deposits from banks and other financial institutions was 4.16%, 2.72% and 4.16% for the same years. As a result, the Group's net interest income may be adversely impacted and the Group's business, results of operations and financial condition may be affected. Please also see "Risk Factors — Risks Relating to the Group's Business — Further development of interest rate liberalization, the PBoC's adjustments to the benchmark interest rate, the deposit insurance program and other regulatory changes in the PRC's banking industry may materially and adversely affect the Group's results of operations".

Regulatory Environment

The PRC banking industry is highly regulated. PRC commercial banks are mainly regulated by the CBIRC and PBoC. Additionally, PRC commercial banks are also subject to the supervision and regulation of other regulatory authorities, including the SAFE, CSRC, NDRC and MOF. Please see "Supervision and Regulation — Principal Regulators". Please also see "Risk Factors — Risks Relating to the Group's Business — The Group faces risks and uncertainties associated with national and local government policies and initiatives adopted to promote local economic development" and "Risk Factors — Risks Relating to the PRC Banking Industry — The PRC banking industry is highly regulated, and the Group is susceptible to changes in regulation and government policies" for further details on the Group's risks associated with changes on the regulatory environment.

The Group's business, results of operations and financial condition are affected by changes in PRC banking laws, 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. In addition, the PRC banking regulatory authorities have enhanced regulations on wealth management and interbank businesses of PRC commercial banks, while restrictions on the asset securitization market have been relaxed. New regulations issued by regulatory authorities may impact the Group's business, results of operations and financial condition.

Development of China's Capital Markets and Internet Finance

Recently, China has launched a number of initiatives to develop a multi-layered capital market and has encouraged enterprises to seek direct financing from the capital markets, which may affect the core businesses of PRC commercial banks. For example, the deepening development of China's debt capital markets may impact the Group's lending business, as certain corporate borrowers may issue debt securities at lower costs to meet their financing needs and thus have lower demands for bank loans. On the other hand, the development of China's capital markets may allow the Group to further expand its fee- and commission-based business, such as the Group's investment banking business, and may broaden the scope of securities the Group may invest in.

Furthermore, China's traditional banking institutions are facing more challenges from innovations in financial products and technology such as online wealth management products, third-party online payment platforms and Internet financing. These innovations in products and technologies may affect the business, results of operations and financial condition of PRC commercial banks. In particular, in recent years, many non-bank enterprises or newly established banks with strong internet technology background have commenced offering internet finance services to take over more and more of the bank value chain, including those core areas that are key source of banks' revenues, such as payment, wealth management, consumer finance, or even checking and savings. As a result, the Group faces increasing competition in terms of fee- and commission-based products and services. Please also see the section headed "Risk Factors — The competition layout in the banking industry keeps evolving in line with advancement of information technology where the traditional banking institutions faces intensified challenges in terms of electronic banking and internet finance."

Competitive Landscape in the PRC Banking Industry

The Group competes primarily with commercial banks operating in Jiangxi Province, mainly on product offerings and prices, service quality, brand recognition, distribution networks and information technology capabilities. The Group also faces competition from other banking and non-banking financial institutions in Jiangxi Province, including rural credit cooperatives, securities firms, fund management companies and insurance companies.

In recent years, a large number of commercial banks in the PRC have completed restructurings or public offerings, which have thereby permitted them to obtain more funding to offer more innovative products and higher quality services, and have increased their adaptability in a changing market environment. The increase in competition in the PRC banking industry may affect the pricing of the Group's loans and deposits as well as the Group's fee- and commission-based banking business. Please see "Business — The Group's Competitive Strengths".

SELECTED FINANCIAL DATA

The following table sets forth the Group's statements of profit or loss for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
	(in millions of RMB)		
Interest income	10,155.7	12,786.0	15,393.7
Interest expense	(3,914.6)	(4,959.8)	(7,912.6)
Net interest income	6,241.1	7,826.2	7,481.1
Fee and commission income	593.1	1,017.7	1,643.8
Fee and commission expense	(45.4)	(56.0)	(153.1)
Net fee and commission income	547.7	961.7	1,490.7
Net trading gains/(losses)	49.5	(61.1)	(110.0)
Net gains arising from investment securities	0.1	234.4	572.9
Other operating income[(1)]	53.9	23.2	17.6
Operating income	6,892.3	8,984.4	9,452.3
Operating expenses	(2,399.1)	(2,957.6)	(3,147.4)
Operating profit	4,493.2	6,026.8	6,304.9
Impairment losses on assets	(3,515.9)	(3,614.5)	(2,575.8)
Share of (losses)/profits of associates	(11.7)	1.2	12.0
Profit before tax	965.6	2,413.5	3,741.1
Income tax	(192.8)	(735.6)	(826.3)
Net profit for the year	**772.8**	**1,677.9**	**2,914.8**

Note:

(1) Consist primarily of foreign exchange gains/(losses), rental income, government grants, net (losses)/gains on disposal of non-current assets and others.

The following table sets forth selected financial ratios for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
Profitability indicators			
Return on average assets(1)	0.42%	0.64%	0.85%
Return on average equity(2)	5.03%	8.19%	13.12%
Net interest spread(3)	3.43%	2.85%	2.19%
Net interest margin(4)	3.69%	3.05%	2.26%
Net fee and commission income to operating income	7.95%	10.70%	15.77%
Cost-to-income ratio(5)	27.81%	29.75%	32.18%

Notes:

(1) Calculated using net profit for the period divided by average balance of total assets at the beginning and the end of the period.

(2) Calculated using net profit for the period divided by average balance of total equity at the beginning and the end of the period.

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

(4) Calculated using net interest income divided by the daily average balance of total interest-earning assets.

(5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by total operating income.

The Group's cost-to-income ratio increased from 27.81% in 2015 to 29.75% in 2016 and further to 32.18% in 2017, mainly because of substantial increases in the Group's operating expenses which were primarily due to its continuous expansion and upgrade of business network during the Track Record Period, particularly after completion of the Acquisition, for effective coverage in Jiangxi province and improvement of operating efficiency. As of December 31, 2017, the Group's business network covered 11 districted cities in Jiangxi Province and 63 counties, representing approximately 87.0% of all counties across Jiangxi Province. In line with its development strategy, the Bank intends to further expand the coverage while optimizing layout and enhancing efficiency of such business network. As a result of which, the Bank expects to continuous improves its cost-efficiency in the future.

The following table sets forth information relating to certain regulatory indicators as of the dates indicated.

	Regulatory requirement	As of December 31,		
		2015	2016	2017
Capital adequacy indicators				
Core tier-one capital adequacy ratio(1)	≥7.5%	12.64%	10.87%	9.43%
Tier-one capital adequacy ratio(2)	≥8.5%	12.64%	10.87%	9.43%
Capital adequacy ratio(3)	≥10.5%	14.24%	11.94%	12.88%
Total equity to total assets	–	9.37%	6.75%	6.29%
Asset quality indicators				
NPL ratio(4)	≤5%	1.81%	1.68%	1.64%
Allowance coverage ratio(5)	≥150%	218.93%	210.94%	215.17%
Allowance to gross loan ratio(6)	≥2.5%	3.96%	3.55%	3.54%
Other indicators				
Loan-to deposit ratio(7)	≤75%	59.46%	56.49%	53.04%

Notes:

(1) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets. For the components of core tier-one capital, core tier-one capital deductions and risk-weighted assets under the Capital Administrative Measures, please see "Supervision and Regulation — Supervision of Capital Adequacy Level — Latest CBRC Supervisory Standards regarding Capital Adequacy Level" and "– Capital Resources — Capital Adequacy".

(2) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets. For the components of tier-one capital, tier-one capital deductions and risk-weighted assets under the Capital Administrative Measures, please see "Supervision and Regulation — Supervision of Capital Adequacy Level — Latest CBRC Supervisory Standards regarding Capital Adequacy Level" and "– Capital Resources — Capital Adequacy".

(3) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets. For the components of the Group's total capital, capital deductions and risk weighted assets under the Capital Administrative Measures, please see "Supervision and Regulation — Supervision of Capital Adequacy Level — Latest CBRC Supervisory Standards regarding Capital Adequacy Level" and "– Capital Resources — Capital Adequacy".

(4) Calculated by dividing total NPLs by gross loans to customers.

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

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

(7) Calculated by dividing total loans to customers by total deposits from customers. Prior to October 1, 2015, PRC commercial banks were required to maintain a loan-to-deposit ratio of no higher than 75%. Effective from October 1, 2015, the PRC Commercial Bank Law was amended and the 75% maximum loan-to-deposit ratio was repealed.

As of December 31, 2015, 2016 and 2017, the Group's core tier-one capital adequacy ratio decreased from 12.64% to 10.87% and further decreased to 9.43%, the Group's tier-one capital adequacy ratio decreased from 12.64% to 10.87% and further decreased to 9.43%. Such decreases were mainly caused by the fact that the increase in the Group's risk-weighted assets, as a result of the Group's business growth outpaced the speed with which it replenished its capital, including core-tier one capital and tier-one capital during the relevant year.

The Group's capital adequacy ratio decreased from 14.24% as of December 31, 2015 to 11.94% as of December 31, 2016, primarily because the rapid increase in the Group's risk-weighted assets due to growth of the Group's business particularly after the Acquisition in late 2015 outpaced the speed with which the Group replenished its capital. In 2017, the Group issued tier-two capital bonds to replenish its capital, as a result of which, its capital adequacy ratio increased to 12.88% as of December 31, 2017, which was well above the regulatory ratio of 10.5% while staying at comparatively low end among industry peers. For details of the Group's issuance debt securities, pleases see the section headed "– Capital Resources – Debt". This comparatively low capital ratio mainly reflected the factor that the quick expansion of the Group's risk-weighted assets due to business expansion has outpaced the speed with which the Group replenished its capital. In particular, the Group determined not to issue more debt instruments to further increase its capital based on its cautious strategy of debt issuance so that it could optimize its financial costs and achieve best use of funds, taking into account various factors including funds it could generate internally, its liquidity management policy and general market conditions. Please also see the risk factors headed "Risk Factors – Risks Relating to the Group's Business – The Group may have difficulties in meeting capital adequacy requirements in the future" and "Risk Factors – Risks Relating to the Group's Business – The Group is subject to risks associated with the significant amount of its subordinated debts and tier-two capital debts issued" for more details.

The Group's total equity to total assets decreased from 9.37% as of December 31, 2015 to 6.75% as of December 31, 2016, and further decreased to 6.29% as of December 31, 2017, mainly because of the increase in the Group's assets.

The Group's NPL ratio decreased from 1.81% as of December 31, 2015 to 1.68% as of December 31, 2016 mainly because of the Group's continuous efforts in recovering NPL and improvement in overall quality of the Group's loan portfolio mainly attributed to the Group's strict implementation of risk management measures and development of clients with strong credit, which slightly decreased to 1.64% as of December 31, 2017. The Group's NPL ratio as of December 31, 2016 and December 31, 2017 was lower than the industry average as of the same dates. The turbulence of the Group's NPL ratio was also partly attributed to the fact that the Group managed to dispose of certain non-performing assets to different asset management companies in China during the Track Record Period. Please also see the section headed "Risk Factors – Risks Relating to the Group's Business – The Group disposed of certain loan assets during the Track Record Period and should the Group unable to dispose or transfer such assets in the future, the Group's liquidity, financial condition and results of operation may be affected".

As of December 31, 2015, 2016 and 2017, the Group's allowance coverage ratio remained relatively stable, which is largely consistent with the overall banking industry in the PRC. According to the CBRC, the allowance coverage ratio of the PRC banking industry was 181.2%, 176.4% and 181.4% as of December 31, 2015, 2016, and 2017 respectively. Notwithstanding the foregoing, the Group's allowance coverage ratio remained well above the regulatory requirement of 150% during the Track Record Period. Please also see the section headed "Risk Factors – The PRC banking industry is highly regulated, and the Group is susceptible to changes in regulation and government policies."

As of December 31, 2015 and 2016, the Group's allowance to gross loan ratio decreased from 3.96% to 3.55% primarily because of the Group's efforts in resolving NPL and improving the quality of its loan portfolio through implementation of strict risk management measures and development of more quality clients, while the Group experienced a rapid increase in gross loans and advances as a result of business expansion, which increased from RMB85,641.8 million as of December 31, 2015 to RMB107,983.2 million as of December 31, 2016. As of December 31, 2017, the Group's allowance to gross loan ratio remained comparatively stable at 3.54%. The Group's allowance to gross loan ratio remained well above the regulatory requirement.

The Group's loan-to-deposit ratio slightly decreased from 59.46% as of December 31, 2015, to 56.49% as of December 31, 2016 and further decreased to 53.04% as of December 31, 2017, primarily due to the fact that the increase in the Group's deposit from customers outpaced the speed with which the Group's loans and advances to customers increased.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017

The Group's net profit increased significantly by 73.7% from RMB1,677.9 million for the year ended December 31, 2016 to RMB2,914.8 million for the year ended December 31, 2017, primarily due to (i) the Group's effort in recovering non-performing assets and (ii) the Group's continuous effort in expanding and developing its fee and commission income.

Net Interest Income

Net interest income is the largest component of the Group's operating income, representing 87.1% and 79.1% of the Group's operating income for the years ended December 31, 2016 and 2017, respectively.

The following table sets forth the Group's interest income, interest expense and net interest income for the periods indicated.

	For the year ended December 31,	
	2016	2017
	(in millions of RMB)	
Interest income	12,786.0	15,393.7
Interest expense	4,959.8	7,912.6
Net interest income	**7,826.2**	**7,481.1**

The Group's net interest income decreased by 4.4% from RMB7,826.2 million for the year ended December 31, 2016 to RMB7,481.1 million for the year ended December 31, 2017 primarily due to a 59.5% increase in interest expense, which was partially offset by a 20.4% increase in interest income.

The following table sets forth the daily average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on assets or related average cost of liabilities for the periods indicated.

	For the year ended December 31,					
	2016			2017		
	Daily average balance	Interest income	Average yield(1)	Daily average balance	Interest income	Average yield(1)
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	98,064.7	6,413.0	6.54%	119,075.0	6,972.6	5.86%
Investments(2)						
Financial assets at fair value through profit or loss	2,907.4	112.2	3.86%	2,108.9	80.0	3.79%
Available-for-sale financial assets	16,829.0	649.8	3.86%	39,937.4	1,409.8	3.53%
Held-to-maturity investments	16,162.5	637.2	3.94%	25,774.4	972.6	3.77%
Investment classified as receivables	76,715.2	4,070.8	5.31%	92,990.6	5,015.3	5.39%
Subtotal	**112,614.1**	**5,470.0**	**4.86%**	**160,811.3**	**7,477.7**	**4.65%**
Deposits with the central bank(3)	27,279.6	398.9	1.46%	33,775.2	501.7	1.49%
Deposits with banks and other financial institutions	7,730.0	232.6	3.01%	4,460.2	52.3	1.17%
Placements with banks and other financial institutions	11.8	0.5	4.24%	572.9	15.5	2.71%
Financial assets held under resale agreements	10,880.1	271.0	2.49%	12,844.3	373.9	2.91%
Total interest-earning assets	**256,580.3**	**12,786.0**	**4.98%**	**331,538.8**	**15,393.7**	**4.64%**

	For the year ended December 31,					
	2016			2017		
	Daily average balance	Interest expense	Average cost(1)	Daily average balance	Interest expense	Average cost(1)
	(in millions of RMB, except percentages)					
Interest-bearing liabilities						
Deposits from customers	167,491.1	2,958.9	1.77%	215,556.0	3,740.6	1.74%
Deposits from banks and other financial institutions	22,930.7	624.1	2.72%	28,986.0	1,206.4	4.16%
Borrowing from the central bank	396.4	13.9	3.51%	1,572.6	59.9	3.81%
Placements from banks and other financial institutions	384.1	8.2	2.13%	632.4	25.2	3.98%
Financial assets sold under repurchase agreement	12,981.8	308.0	2.37%	15,349.0	425.5	2.77%
Debt securities issued(4)	24,515.0	890.0	3.63%	53,117.4	2,119.1	3.99%
Borrowings from banks and other financial institutions	4,168.4	156.7	3.76%	7,050.1	335.8	4.76%
Bill rediscounted	–	–	–	5.9	0.1	1.69%
Total interest-bearing liabilities	**232,867.5**	**4,959.8**	**2.13%**	**322,269.4**	**7,912.6**	**2.46%**
Net interest income		**7,826.2**			**7,481.1**	
Net interest spread(5)			**2.85%**			**2.19%**
Net interest margin(6)			**3.05%**			**2.26%**

Notes:

(1) Calculated by dividing interest income/expense by daily average balance.

(2) Investments consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables, collectively known as "Investments."

(3) Consist of statutory deposit reserves, surplus deposit reserves and fiscal deposits.

(4) Consist of certificates of interbank deposit issued by the Group, subordinated bonds and other bonds.

(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 using net interest income divided by the daily average balance of total interest-earning assets.

The following table sets forth the allocation of changes in the Group's interest income and interest expense due to changes in volume and changes in rate for the periods indicated. 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		
	2017 vs. 2016		
	Increase/(decrease) due to		Net Increase/ (decrease)(3)
	Volume(1)	Rate(2)	
	(in millions of RMB)		
Assets			
Loans and advances to customers	1,230.3	(670.7)	559.6
Investments			
Financial assets at fair value through profit or loss	(30.3)	(1.9)	(32.2)
Available-for-sale financial assets	815.7	(55.7)	760.0
Held-to-maturity investments	362.7	(27.3)	335.4
Investment classified as receivables	877.8	66.7	944.5
Subtotal	**2,025.9**	**(18.2)**	**2,007.7**
Deposits with the central bank(4)	96.5	6.3	102.8
Deposits with banks and other financial institutions	(38.3)	(142.0)	(180.3)
Placements with banks and other financial institutions	15.2	(0.2)	15.0
Financial assets held under resale agreements	57.2	45.7	102.9
Changes in interest income	**3,386.7**	**(779.0)**	**2,607.7**
Liabilities			
Deposits from customers	834.1	(52.4)	781.7
Deposits from banks and other financial institutions	252.0	330.3	582.3
Borrowing from the central bank	44.8	1.2	46.0
Placements from banks and other financial institutions	9.9	7.1	17.0
Financial assets sold under repurchase agreements	65.6	51.9	117.5
Debt securities issued(5)	1,141.1	88.0	1,229.1
Borrowings from banks and other financial institutions	137.3	41.8	179.1
Bill rediscounted	0.1	0.0	0.1
Changes in interest expense	**2,484.9**	**467.9**	**2,952.8**
Changes in net interest income	**901.9**	**(1,246.9)**	**(345.1)**

Notes:

(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) Consist of statutory deposit reserves, surplus deposit reserves and fiscal deposits.

(5) Consist of certificates of interbank deposit issued by the Group, subordinated bonds and other bonds.

Interest Income

The following table sets forth a breakdown of the Group's interest income for the periods indicated.

	For the year ended December 31			
	2016		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Interest income arising from				
Loans and advances to customers				
Corporate loans and advances	4,965.7	38.8%	5,004.3	32.5%
Personal loans and advances	1,335.3	10.4%	1,921.3	12.5%
Discounted bills	112.0	0.9%	47.0	0.3%
Subtotal	**6,413.0**	**50.2%**	**6,972.6**	**45.3%**
Investments[1]				
Financial assets at fair value through profit or loss	112.2	0.9%	80.0	0.5%
Available-for-sale financial assets	649.8	5.1%	1,409.8	9.2%
Held-to-maturity investments	637.2	5.0%	972.6	6.3%
Investment classified as receivables	4,070.8	31.8%	5,015.3	32.6%
Subtotal	**5,470.0**	**42.8%**	**7,477.7**	**48.6%**
Deposits with the central bank	398.9	3.1%	501.7	3.3%
Deposits with banks and other financial institutions	232.6	1.8%	52.3	0.3%
Placements with banks and other financial institutions	0.5	–	15.5	0.1%
Financial assets held under resale agreements	271.0	2.1%	373.9	2.4%
Total interest income	**12,786.0**	**100.0%**	**15,393.7**	**100.0%**

Note:

(1) Consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investment classified as receivables.

The Group's interest income increased by 20.4% from RMB12,786.0 million for the year ended December 31, 2016 to RMB15,393.7 million for the year ended December 31, 2017 primarily due to a 29.2% increase in the daily average balance of interest-earning assets from RMB256,580.3 million for the year ended December 31, 2016 to RMB331,538.8 million for the year ended December 31, 2017, which was partially offset by a decrease in the average yield on interest-earning assets from 4.98% for the year ended December 31, 2016 to 4.64% for the year ended December 31, 2017.

The increase in the average balance of interest-earning assets was in line with the growth of the Group's business. The decrease in the average yield of interest-earning assets was primarily due to increased market competition reflecting increased interest rate liberalization.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers represented 50.2% and 45.3% of the Group's interest income for the years ended December 31, 2016 and 2017, respectively.

The following table sets forth the daily average balance, interest income and average yield for each component of the Group's loans and advances to customers for the periods indicated.

	For the year ended December 31					
	2016			2017		
	Daily average balance	Interest income	Average yield	Daily average balance	Interest income	Average yield
	(in millions of RMB, except percentages)					
Corporate loans	73,463.8	4,965.7	6.76%	83,227.8	5,004.3	6.01%
Personal loans	22,232.7	1,335.3	6.01%	35,141.0	1,921.3	5.47%
Discounted bills	2,368.2	112.0	4.73%	706.2	47.0	6.66%
Total loans and advances to customers	**98,064.7**	**6,413.0**	**6.54%**	**119,075.0**	**6,972.6**	**5.86%**

The Group's interest income from loans and advances to customers increased by 8.73% from RMB6,413.0 million for the year ended December 31, 2016 to RMB6,972.6 million for the year ended December 31, 2017 primarily due to an increase in the daily average balance of the Group's total loans and advances to customers from RMB98,064.7 million for the year ended December 31, 2016 to RMB119,075.0 million for the year ended December 31, 2017, which was partially offset by a decrease in the average yield on total loans and advances to customers from 6.54% for the year ended December 31, 2016 to 5.86% for the year ended December 31, 2017. The increase in the daily average balance on total loans and advances to customers was primarily due to the expansion of the Group's business, particularly the retail banking business. The decrease in average yield of loans and advances to customers was primarily caused by increased market competition and the impact from interest rate liberalization.

Interest income from corporate loans was the largest component of the Group's interest income from loans and advances to customers, representing 77.4% and 71.8% of the Group's total interest income from loans to customers for the years ended December 31, 2016 and 2017, respectively.

Corporate Loans. The Group's interest income from corporate loans slightly increased by 0.8% from RMB4,965.7 million for the year ended December 31, 2016 to RMB5,004.3 million for the year ended December 31, 2017 primarily due to an increase in the daily average balance of the Group's corporate loans from RMB73,463.8 million for the year ended December 31, 2016 to RMB83,227.8 million for the year ended December 31, 2017, which was partially offset by a decrease in average yield on the Group's corporate loans from 6.76% for the year ended December 31, 2016 to 6.01% for the year ended December 31, 2017. The increase in the daily average balance of the Group's corporate loans was primarily due to an expansion of the Group's corporate banking business. The decrease in the average yield on corporate loans was primarily due to increased market competition, particularly competitions for premium corporate banking customers who have strong bargaining power, and the impact from interest rate liberalization.

Personal Loans. The Group's interest income from personal loans increased by 43.9% from RMB1,335.3 million for the year ended December 31, 2016 to RMB1,921.3 million for the year ended December 31, 2017 primarily due to a 58.1% increase in the daily average balance of the Group's personal loans from RMB22,232.7 million for the year ended December 31, 2016 to RMB35,141.0 million for the year ended December 31, 2017, which was partially offset by a decrease in the average yield on the Group's personal loans from 6.01% for the year ended December 31, 2016 to 5.47% for the year ended December 31, 2017. The increase in the daily average balance of the Group's personal loans was primarily due to expansion of the Group's retail banking business driven by (i) an increase in demand for personal loans by retail customers, and (ii) the Group's continuous efforts to improve retail banking business. The decrease in the average yield on personal loans was primarily due to increase in the proportion of the Group's residential mortgage loans represented in the Group's total personal loans, which had a lower interest rate in the first half of 2017.

Discounted Bills. The Group's interest income from discounted bills decreased by 58.0% from RMB112.0 million for the year ended December 31, 2016 to RMB47.0 million for the year ended December 31, 2017 primarily due to a 70.2% decrease in the daily average balance of the Group's discounted bills from RMB2,368.2 million for the year ended December 31, 2016 to RMB706.2 million for the year ended December 31, 2017, the result of which was partially offset by an increase in the average yield on the Group's discounted bills from 4.73% for the year ended December 31, 2016 to 6.66% for the year ended December 31, 2017. The decrease in the daily average balance of the Group's discounted bills was primarily because the Group took an active approach to allocate funds to loans and other assets with relatively higher return. The increase in the average yield on discounted bills was primarily due to higher bill market interest rates reflecting tightened market liquidity, which in turn resulted in an increase in returns for discounted bills.

Interest Income from Investments

Interest income from Investments accounted for 42.8% and 48.6% of the Group's interest income for the years ended December 31, 2016 and 2017, respectively.

The Group's interest income from Investments increased by 36.7% from RMB5,470.0 million for the year ended December 31, 2016 to RMB7,477.7 million for the year ended December 31, 2017 primarily due to an increase in the daily average balance of the Group's Investments from RMB112,614.1 million for the year ended December 31, 2016 to RMB160,811.3 million for the year ended December 31, 2017, which was partially offset by a decrease in the average yield on the Group's Investments from 4.86% for the year ended December 31, 2016 to 4.65% for the year ended December 31, 2017. The increase in the daily average balance was primarily due to the Group's continuous efforts in increasing investments in different types of financial assets to diversify its asset portfolio and achieve higher investment return to manage challenges from interest rate liberalization. The decrease in average yield was primarily due to the Group's implementation of cautious investment strategy by restricting exposure to investments characterized by comparatively high risks and increasing investments in products with high liquidity and comparatively lower yields, such as debt securities.

Interest Income from Deposits with the Central Bank

The Group's interest-earning deposits with the central bank consist primarily of statutory deposit reserves, surplus deposit reserves and fiscal deposits with the PBoC. Statutory deposit reserves represent the minimum level of cash deposits that the Group is required to maintain at the PBoC, calculated as a percentage of the balance of the Group's overall deposits from customers. Surplus deposit reserves are deposits with the PBoC in excess of statutory deposit reserves, which the Group maintains for clearing purposes.

Interest income from deposits with the central bank represented 3.1% and 3.3% of the Group's interest income for the year ended December 31, 2016 and 2017, respectively.

The Group's interest income from deposits with the central bank increased by 25.8% from RMB398.9 million for the year ended December 31, 2016 to RMB501.7 million for the year ended December 31, 2017 primarily due to a 23.8% increase in the daily average balance of the Group's deposits with the central bank from RMB27,279.6 million for the year ended December 31, 2016 to RMB33,775.2 million for the year ended December 31, 2017. The average yield on the Group's deposits with the central bank increased from 1.46% for the year ended December 31, 2016 to 1.49% for the year ended December 31, 2017. The increase in the daily average balance of the Group's deposits with the central bank was primarily attributable to increased statutory deposit reserves resulting from the continued growth in deposits from customers. The increase in average yield on the Group's deposits with the central bank was primarily due to the increased proportion of the statutory deposit reserves with the central bank which has higher interest rate.

Interest Income from Deposits with Banks and Other Financial Institutions

Interest income from deposits with banks and other financial institutions represented 1.8% and 0.3% of the Group's interest income for the year ended December 31, 2016 and 2017, respectively.

The Group's interest income from deposits with banks and other financial institutions decreased by 77.5% from RMB232.6 million for the year ended December 31, 2016 to RMB52.3 million for the year ended December 31, 2017 primarily due to a 42.3% decrease in the daily average balance of the Group's deposits with banks and other financial institutions from RMB7,730.0 million for the year ended December 31, 2016 to RMB4,460.2 million for the year ended December 31, 2017. The average yield on the Group's deposits with banks and other financial institutions decreased from 3.01% for the year ended December 31, 2016 to 1.17% for the year ended December 31, 2017. The decrease in the daily average balance of the Group's deposits with banks and other financial institutions was primarily because the Group decreased deposits with banks and other financial institutions based on its strategy in managing funds to increase investments in products with comparatively higher yields. The decrease in the average yield on the Group's deposits with banks and other financial institutions was primarily attributable to the fact that the Group, while decreasing total amount of deposits with banks and other financial institutions to make more investment in products with high yields, maintained a certain amount of deposit on demand in line with its liquidity management strategy, which generated lower yields compared with that of time deposit.

Interest Income from Placements with Banks and Other Financial Institutions

Interest income from placements with banks and other financial institutions represented nil and 0.1% of the Group's interest income for the year ended December 31, 2016 and 2017, respectively.

The Group's interest income from placements with banks and other financial institutions increased by significantly from RMB0.5 million for the year ended December 31, 2016 to RMB15.5 million for the year ended December 31, 2017 primarily due to a significant increase in the daily average balance of the Group's placements with banks and other financial institutions from RMB11.8 million for the year ended December 31, 2016 to RMB572.9 million for the year ended December 31, 2017, the effect of which was partially offset by a decrease in the average yield on the Group's placements with banks and other financial institutions from 4.24% for the year ended December 31, 2016 to 2.71% for the year ended December 31, 2017. The increase in the daily average balance of the Group's placements with banks and other financial institutions was primarily attributable to the fact that the Group entered into more placement with banks and other financial institutions in 2017, particularly short-term placement transactions taking advantage of its good credit which generally have comparatively lower yield, in line with its liquidity and risk management policies. The decrease in the average yield on the Group's placements with banks and other financial institutions was primarily because the Group entered into more short-term transactions involving placements with banks and other financial institutions in line with its credit risk and liquidity management policy in 2017, which generally generate lower yields compared with that of long-term placement transactions.

Interest Income from Financial Assets Held under Resale Agreements

Interest income from financial assets held under resale agreements represented 2.1% and 2.4% of the Group's interest income for the year ended December 31, 2016 and 2017, respectively.

The Group's interest income from financial assets held under resale agreements increased by 38.0% from RMB271.0 million for the year ended December 31, 2016 to RMB373.9 million for the year ended December 31, 2017 primarily due to (i) the increase in the daily average balance of the Group's financial assets held under resale agreements from RMB10,880.1 million for the year ended December 31, 2016 to RMB12,844.3 million for the year ended December 31, 2017 and (ii) the increase in the average yield on the Group's financial assets held under resale agreements from 2.49% for the year ended December 31, 2016 to 2.91% for the year ended December 31, 2017. The increase in the daily average balance of the Group's financial assets held under resale agreements was primarily because the Group entered into more reverse repurchase transactions to manage liquidity and obtain higher returns in 2017. The increase in the average yield on the Group's financial assets held under resale agreements was primarily due to higher market interest rates reflecting tightened market liquidity, which in turn resulted in an increase in returns from reverse repurchase transactions.

Interest Expense

The following table sets forth a breakdown of the Group's interest expense for the periods indicated.

	For the year ended December 31,			
	2016		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Interest expenses arising from				
Deposits from customers	2,958.9	59.7%	3,740.6	47.3%
Deposits from banks and other financial institutions	624.1	12.6%	1,206.4	15.2%
Borrowing from the central bank	13.9	0.3%	59.9	0.8%
Placements from banks and other financial institutions	8.2	0.2%	25.2	0.3%
Financial assets sold under repurchase agreements	308.0	6.2%	425.5	5.4%
Debt securities issued	890.0	17.9%	2,119.1	26.8%
Borrowings from banks and other financial institutions	156.7	3.2%	335.8	4.2%
Total interest expense	**4,959.8**	**100.0%**	**7,912.6**	**100.0%**

The Group's interest expense increased by 59.5% from RMB4,959.8 million for the year ended December 31, 2016 to RMB7,912.6 million for the year ended December 31, 2017 primarily due to a 38.4% increase in the daily average balance of interest-bearing liabilities from RMB232,867.5 million for the year ended December 31, 2016 to RMB322,269.4 million for the year ended December 31, 2017, which was accompanied by an increase in the average cost on interest-bearing liabilities from 2.13% for the year ended December 31, 2016 to 2.46% for the year ended December 31, 2017. The increase in the daily average balance of interest-bearing liabilities was primarily attributable to the increases in customer deposits and the Group's issuance of debt securities. The increase in the average cost of interest-bearing liabilities was primarily because (i) in order to fund its rapid business expansion, the Group also relied on funds raised from other financing channels besides deposits from customers, which had higher interest expenses than that of deposits from customers and (ii) a slight increase in average cost of deposit from customers in 2017 as the Group offered more deposit products with higher returns to attract more quality clients driven by increased market competition.

Interest Expense on Deposits from Customers

The Group's interest expense on deposits from customers accounted for 59.7% and 47.3% of the Group's total interest expense for the years ended December 31, 2016 and 2017, respectively.

The following table sets forth the daily average balance, interest expense and average cost of the Group's deposits from customers by product type for the periods indicated.

	For the year ended December 31,					
	2016			2017		
	Daily average balance	Interest expense	Average cost	Daily average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)					
Corporate deposits						
Time[(1)]	58,755.9	1,508.3	2.57%	68,674.3	1,682.7	2.45%
Demand	66,408.1	523.8	0.79%	92,165.2	780.5	0.85%
Sub-total	125,164.0	2,032.1	1.62%	160,839.5	2,463.2	1.53%
Personal deposits						
Time[(1)]	31,621.2	887.8	2.81%	38,039.4	1,215.1	3.19%
Demand	10,705.9	39.0	0.36%	16,677.2	62.3	0.37%
Subtotal	42,327.1	926.8	2.19%	54,716.6	1,277.4	2.33%
Total deposits from customers	167,491.1	2,958.9	1.77%	215,556.0	3,740.6	1.74%

Note:

(1) Include principal-protected wealth management products, which the Group classifies as deposits from customers pursuant to regulatory rules.

The Group's interest expense on deposits from customers increased by 26.4% from RMB2,958.9 million for the year ended December 31, 2016 to RMB3,740.6 million for the year ended December 31, 2017 primarily due to a 28.7% increase in the Group's daily average balance of deposits from customers from RMB167,491.1 million for the year ended December 31, 2016 to RMB215,556.0 million for the year ended December 31, 2017, the result of which was partially offset by a decrease in the Group's average cost on deposits from customers from 1.77% for the year ended December 31, 2016 to 1.74% for the year ended December 31, 2017, primarily due to optimization of the Group's deposit portfolio where the percentage of deposit on demand increased. The increase in the Group's daily average balance of deposits from customers was primarily due to the Group's continued efforts to develop its deposit business by developing institutional customers and diversifying its retail banking products to attract deposits.

Interest Expense on Deposits from Banks and Other Financial Institutions

The Group's interest expense on deposits from banks and other financial institutions accounted for 12.6% and 15.2% of the Group's interest expense for the year ended December 31, 2016 and 2017, respectively.

The Group's interest expense on deposits from banks and other financial institutions increased by 93.3% from RMB624.1 million for the year ended December 31, 2016 to RMB1,206.4 million for the year ended December 31, 2017 primarily due to a 26.4% increase in the Group's daily average balance of deposits from banks and other financial institutions from RMB22,930.7 million for the year ended December 31, 2016 to RMB28,986.0 million for the year ended December 31, 2017. The Group's average cost of deposits from banks and other financial institutions increased from 2.72% for the year ended December 31, 2016 to 4.16% for the year ended December 31, 2017. The increase in the Group's daily average balance of deposits from banks and other financial institutions was primarily due to the fact that the Group increased fund raising from deposits from banks and other financial institutions to fund its business expansion. The increase in the Group's average cost of deposits from banks and other financial institutions primarily reflected higher market interest rates mainly caused by tightened market liquidity.

Interest Expense on Borrowing from the Central Bank

The Group's interest expense on borrowing from the central bank represented 0.3% and 0.8% of the Group's interest expenses for the year ended December 31, 2016 and 2017, respectively. The Group's interest expense on borrowing from the central bank increased from RMB13.9 million for the year ended December 31, 2016 to RMB59.9 million for the year ended December 31, 2017. The increase in the Group's daily average balance of borrowing from the central bank from RMB396.4 million for the year ended December 31, 2016 to RMB1,572.6 million for the year ended December 31, 2017 was mainly caused by an increase in borrowing from the central bank in line with business development and liquidity management strategy. The average cost of the Group's borrowing from the central bank slightly increased from 3.51% from the year ended December 31, 2016 to 3.81% for the year ended December 31, 2017, mainly caused by higher market interest rates reflecting tightened market liquidity.

Interest Expense on Placements from Banks and Other Financial Institutions

The Group's interest expense on placements from banks and other financial institutions represented 0.2% and 0.3% of the Group's interest expenses for the year ended December 31, 2016 and 2017, respectively. The Group's interest expense on placements from banks and other financial institutions amounted to RMB8.2 million and RMB25.2 million for the years ended December 31, 2016 and 2017, respectively.

The Group's daily average balance of placements from banks and other financial institutions increased from RMB384.1 million for the year ended December 31, 2016 to RMB632.4 million for the year ended December 31, 2017, primarily because the Group obtained more funds from placement from banks and other financial institutions to support its business expansion. The Group's average cost of placements from banks and other financial institutions increased from 2.13% for the year ended December 31, 2016 to 3.98% for the year ended December 31, 2017 mainly reflecting higher market interest rates caused by tightened market liquidity in 2017.

Interest Expense on Financial Assets Sold under Repurchase Agreements

The Group's interest expense on financial assets sold under repurchase agreements represented 6.2% and 5.4% of the Group's interest expense for the year ended December 31, 2016 and 2017, respectively.

The Group's interest expense on financial assets sold under repurchase agreements increased by 38.1% from RMB308.0 million for the year ended December 31, 2016 to RMB425.5 million for the year ended December 31, 2017 primarily due to an increase in the Group's daily average balance of financial assets sold under repurchase agreements from RMB12,981.8 million for the year ended December 31, 2016 to RMB15,349.0 million for the year ended December 31, 2017. The increase was mainly caused by the fact that the Group entered into more repurchase transactions to diversify financing channels to fund its rapid business development. The Group's average cost of financial assets sold under repurchase agreements increased from 2.37% for the year ended December 31, 2016 to 2.77% for the year ended December 31, 2017 primarily due to higher market interest rates mainly caused by tightened market liquidity.

Interest Expense on Debt Securities Issued

The Group's interest expense on debt securities issued represented 17.9% and 26.8% of the Group's interest expense for the year ended December 31, 2016 and 2017, respectively. Please see the sub-section headed "– Capital Resources — Debt — Debt Securities Issued".

The Group's interest expense on debt securities issued increased by 138.1% from RMB890.0 million for the year ended December 31, 2016 to RMB2,119.1 million for the year ended December 31, 2017 primarily due to a significant increase in the Group's daily average balance of debt securities issued from RMB24,515.0 million for the year ended December 31, 2016 to RMB53,117.4 million for the year ended December 31, 2017. The increase was mainly caused by the issuance of tier-two capital debt by the Group in 2017 to replenish capital. The Group's average cost of debt securities issued remained relatively stable at 3.63% for the year ended December 31, 2016 and 3.99% for the year ended December 31, 2017.

Interest Expense on Borrowings from Banks and Other Financial Institutions

The Group's interest expense on borrowings from banks and other financial institutions represented 3.2% and 4.2% of the Group's interest expenses for the year ended December 31, 2016 and 2017, respectively. The Group's interest expense on borrowings from banks and other financial institutions amounted to RMB156.7 million and RMB335.8 million for the year ended December 31, 2016 and 2017, respectively.

The Group's interest expense on borrowings from banks and other financial institutions increased significantly by 114.3% from RMB156.7 million for the year ended December 31, 2016 to RMB335.8 million for the year ended December 31, 2017 primarily due to (i) a significant increase in the Group's daily average balance of borrowings from banks and other financial institutions from RMB4,168.4 million for the year ended December 31, 2016 to RMB7,050.1 million for the year ended December 31, 2017, and (ii) an increase in the Group's average cost of borrowings from banks and other financial institutions from 3.76% for the year ended December 31, 2016 to 4.76% for the year ended December 31, 2017. The increase in the Group's daily average balance of borrowings from banks and other financial institutions was primarily because the Group increased such borrowings to fund its business expansion. The increase in the Group's average cost of borrowings from banks and other financial institutions was primarily due to higher market interest rates caused by tightened market liquidity in 2017.

Interest Expense on Bill Rediscounted

The Group did not incur any interest expense on bill rediscounted for the year ended December 31, 2016. The Group's interest expense on bill rediscounted was RMB0.1 million for the year ended December 31, 2017.

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.

The Group's net interest spread decreased from 2.85% for the year ended December 31, 2016 to 2.19% for the year ended December 31, 2017 primarily because the Group's average yield on interest-earning assets decreased from 4.98% for the year ended December 31, 2016 to 4.64% for the year ended December 31, 2017, primarily due to increased market competition reflecting increased interest rate liberalization. The decrease was accompanied by the increase in the Group's average cost on interest-bearing liabilities from 2.13% for the year ended December 31, 2016 to 2.46% for the year ended December 31, 2017, primarily due to higher market interest rates caused by tightened market liquidity in 2017.

The Group's net interest margin decreased from 3.05% for the year ended December 31, 2016 to 2.26% for the year ended December 31, 2017 primarily due to the growth in the daily average balance of interest earning assets driven by the growth in the Group's business, which outpaced the growth in net interest income.

Net Fee and Commission Income

Net fee and commission income represented 10.7% and 15.8% of the Group's total operating income for the year ended December 31, 2016 and the year ended December 31, 2017, respectively. The following table sets forth the principal components of the Group's net fee and commission income for the periods indicated.

	For the year ended December 31,	
	2016	**2017**
	(in millions of RMB)	
Fee and commission income		
Custodial service fees	90.6	149.9
Asset management business fees	332.1	421.7
Settlement and electronic channel business fees	88.2	177.4
Advisory and consulting fees	194.5	369.7
Bank card service fees	71.4	137.2
Agency services fees	83.7	234.3
Acceptance and guarantee service fees	32.5	33.5
Financial leasing service fees	123.7	110.8
Others[(1)]	1.0	9.3
Total	**1,017.7**	**1,643.8**
Fee and commission expense		
Settlement and clearing fees	(12.3)	(39.4)
Others[(2)]	(43.7)	(113.7)
Total	**(56.0)**	**(153.1)**
Net fee and commission income	**961.7**	**1,490.7**

Notes:

(1) Consist primarily of account supervision and management services fees.

(2) Consist primarily of the POS service fees and other expenses.

The Group's net fee and commission income increased by 55.0% from RMB961.7 million for the year ended December 31, 2016 to RMB1,490.7 million for the year ended December 31, 2017 primarily due to an increase in the Group's fee and commission income from RMB1,017.7 million for the year ended December 31, 2016 to RMB1,643.8 million for the year ended December 31, 2017, which was partially offset by a 173.4% increase in fee and commission expenses from RMB56.0 million for the year ended December 31, 2016 to RMB153.1 million for the year ended December 31, 2017.

Fee and Commission Income

The Group's fee and commission income increased by 61.5% from RMB1,017.7 million for the year ended December 31, 2016 to RMB1,643.8 million for the year ended December 31, 2017 primarily due to an increase in advisory fees, asset management fees and agency service fees.

Custodial Service Fees

Custodial service fees consist primarily of fees earned from the Group's custodial services provided to trust companies and fees earned from recovering and management of non-performing assets. The Group's custodial service fees increased by 65.5% from RMB90.6 million for the year ended December 31, 2016 to RMB149.9 million for the year ended December 31, 2017 primarily because of the expansion of custodial services in line with the Group's development strategy.

Asset Management Business Fees

Asset management business fees consist primarily of asset management fees the Group charged for wealth management products issued by the Group. The Group's asset management service fees increased from RMB332.1 million for the year ended December 31, 2016 to RMB421.7 million for the year ended December 31, 2017 primarily because the Group issued more wealth management products in 2017.

Settlement and Electronic Channel Business Fees

Settlement and electronic channel business fees consist primarily of fees earned on settlement and clearing services in respect of bank drafts, commercial drafts, promissory notes and checks, as well as fees earned on money transfers and clearing services. The Group's settlement and electronic channel business fees increased by 101.1% from RMB88.2 million for the year ended December 31, 2016 to RMB177.4 million for the year ended December 31, 2017 primarily due to increases in both the number of customers and transactions volumes as a result of the Group's continued efforts to improve its electronic banking services and products, expand its electronic banking channels and grow its electronic banking customer base.

Advisory and Consulting Fees

Advisory and consulting fees consist primarily of fees and commissions derived from consulting services the Group provided to its corporate and financial institution customers. The Group's advisory and consulting fees increased by 90.1% from RMB194.5 million for the year ended December 31, 2016 to RMB369.7 million for the year ended December 31, 2017 primarily due to the Group's continuous efforts in providing its advisory services to quality clients and projects with higher commission.

Bank Card Service Fees

Bank card service fees consist primarily of credit card installment fees, POS settlements fees and transaction fees from merchants and customers on the use of the Group's bank cards. The Group's bank card service fees increased by 92.2% from RMB71.4 million for the year ended December 31, 2016 to RMB137.2 million for the year ended December 31, 2017 primarily due to expansion in bank card services in line with the increase of retail banking customers and improvement of the Group's retail banking business.

Agency Services Fees

Agency services fees consist primarily of fees earned from the Group's entrusted loan services, agency distribution of insurance and fund products. The Group's agency services fees increased by 179.9% from RMB83.7 million for the year ended December 31, 2016 to RMB234.3 million for the year ended December 31, 2017 primarily due to an increase in financial products the Group distributed in line with the expansion of the Group's business network.

Acceptance and Guarantee Services Fees

The Group's acceptance and guarantee services fees increased by 3.1% from RMB32.5 million for the year ended December 31, 2016 to RMB33.5 million for the year ended December 31, 2017 primarily due to an increase in the number of letters of guarantee that the Group issued.

Financial Leasing Service Fees

Financial leasing service fees consist primarily of fees and commissions earned from the Group's subsidiary, Jiangxi Financial Leasing. The Group's financial leasing service fees decreased from RMB123.7 million for the year ended December 31, 2016 to RMB110.8 million for the year ended December 31, 2017, primarily due to the limited number of new transactions conducted by Jiangxi Financial Leasing in 2017 because of its capital size.

Others

The Group's other components of fee and commission income increased significantly from RMB1.0 million for the year ended December 31, 2016 to RMB9.3 million for the year ended December 31, 2017, primarily due to the fact that the Group launched account supervision and management services in 2017.

Fee and Commission Expenses

Fee and commission expenses consist primarily of fees paid to third parties in connection with the Group's fee and commission based services that can be directly allocated to the provision of such services. The Group's fee and commission expenses increased by 173.4% from RMB56.0 million for the year ended December 31, 2016 to RMB153.1 million for the year ended December 31, 2017, in line with the expansion of the Group's fee and commission based services in 2017.

Net Trading Gains/(Losses)

Net trading gains/(losses) primarily included gains or losses realized from selling of, and the fair value changes, of financial assets held for trading. The Group's net trading losses increased by 80.0% from RMB61.1 million for the year ended December 31, 2016 to RMB110.0 million for the year ended December 31, 2017 mainly due to price fluctuation in the bonds market.

Net Gains Arising from Investment Securities

Net gains from investment securities included net gains from selling investment securities and gains realized from investment funds. The Group's net gains arising from investment securities increased from RMB234.4 million for the year ended December 31, 2016 to RMB572.9 million for the year ended December 31, 2017, primarily because of an increase of realized gains from the Group's investment in monetary market and bond funds in 2017.

Other Operating Income

The following table sets forth details on the Group's other operating income for the periods indicated.

	For the year ended December 31,			
	2016		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentage)			
Other operating income				
Government grants	24.0	103.4%	24.9	141.5%
Foreign exchange gains/(losses)	8.6	37.1%	(27.0)	(153.4)%
Rental income	7.3	31.5%	7.9	44.9%
Net gains on disposal of non-current assets	0.3	1.3%	–	–
Others(1)	(17.0)	(73.3)%	11.8	67.0%
Total	**23.2**	**100.0%**	**17.6**	**100.0%**

Note:

(1) Consist primarily of donation and sponsorship expenses, penalties and forfeiture payments, provision in relation to outstanding litigations and other non-operating income and expenses.

The Group's other operating income decreased from RMB23.2 million for the year ended December 31, 2016 to RMB17.6 million for the year ended December 31, 2017 primarily due to the fact that the Group incurred a foreign exchange loss of RMB27.0 million mainly caused by the appreciation of RMB against USD in 2017. As of December 31, 2017, the Group's net position in USD amounted to USD68.3 million. In 2016, the Group had a foreign exchange gain of RMB8.6 million.

The Group made provisions in relation to its outstanding litigation in the amount of RMB2.6 million and RMB16.6 million based on the Group's accounting policies for the years ended December 31, 2016 and 2017, respectively. The Directors are of the view that such amount is reasonable and sufficient. For details on the Group's legal dispute, please see "Business — Legal and Administrative Proceedings — Legal Proceedings." Please also see Note 48e of the Accountants' Report attached to this prospectus.

Operating Expenses

The following table sets forth the principal components of the Group's total operating expenses for the periods indicated.

	For the year ended December 31,	
	2016	2017
	(in millions of RMB, except for percentages)	
Staff costs	1,325.5	1,489.6
Business tax and surcharges	284.9	105.2
Depreciation and amortization	299.8	331.6
Rental and property management expenses	159.7	191.2
Others[1]	887.7	1,029.8
Total operating expenses	2,957.6	3,147.4
Cost-to-income ratio[2]	29.75%	32.18%

Notes:

(1) Include office expenses, business marketing expenses, and other management expenses.

(2) Calculated by dividing (i) total operating expenses, excluding business tax and surcharges, by (ii) total operating income.

The Group's operating expenses increased by 6.4% from RMB2,957.6 million for the year ended December 31, 2016 to RMB3,147.4 million for the year ended December 31, 2017 primarily due to (i) an increase in other general operating and administrative expenses mainly caused by the expansion of the Group's business network and marketing efforts; and (ii) an increase in staff costs mainly caused by an increase in the number of employees in line with the Group's expansion of business, the effect of which was partially offset by the decrease in business tax and surcharges primarily because the Group began to pay VAT in lieu of business tax in May 2016 as a result of China's pilot reform for the transition from business tax to VAT.

The Group's cost-to-income ratio increased from 29.75% for the year ended December 31, 2016 to 32.18% for the year ended December 31, 2017 primarily because the increase in operating expenses (excluding business tax and surcharges) outpaced the increase in operating income.

Staff Costs

Staff costs were the largest component of the Group's operating expenses, representing 44.8% and 47.3% of the Group's total operating expenses for the years ended December 31, 2016 and 2017, respectively.

The following table sets forth the components of the Group's staff costs for the periods indicated.

	For the year ended December 31,	
	2016	2017
	(in millions of RMB)	
Salaries, bonuses and allowances	947.2	1,049.1
Social insurance and supplementary retirement benefits	154.8	200.9
Staff welfares	117.2	124.7
Housing allowances	62.3	71.9
Employee education expenses and labour union expenses	36.8	35.7
Other[(1)]	7.2	7.3
Total	1,325.5	1,489.6

Note:

(1) Consists primarily of uniform fees.

The Group's staff costs increased by 12.4% from RMB1,325.5 million for the years ended December 31, 2016 to RMB1,489.6 million for the years ended December 31, 2017 primarily because of an increase in (i) employee salaries, bonuses and allowances and (ii) social insurance and supplementary retirement benefits, in line with an increase in the number of employees as a result of the Group's business expansion.

Salaries, bonuses and allowances were the largest component of the Group's staff costs, representing 71.5% and 70.4% of the Group's total staff costs for the years ended December 31, 2016 and 2017, respectively. The Group's salaries, bonuses and allowances increased by 10.8% from RMB947.2 million for the year ended December 31, 2016 to RMB1,049.1 million for the year ended December 31, 2017 primarily because of an increase in number of employees as a result of the Group's business expansion.

Business Tax and Surcharges

The Group's business tax and surcharges decreased by 63.1% from RMB284.9 million for the year ended December 31, 2016 to RMB105.2 million for the year ended December 31, 2017 primarily because the Group began to pay VAT in lieu of business tax in May 2016 as a result of China's pilot reform for the transition from business tax to VAT.

On March 23, 2016, the MOF issued "*Notice of Overall Implementation of Pilot Program for Value Added Tax Replacing Business Tax*" (Caishui [2016] No. 36). Pursuant to the Notice, starting May 1, 2016, VAT, instead of business tax, shall be levied for certain pilot industries, including the financial industry. For banks, VAT will be levied at the rate of 6.0%. Please also see the section headed "Risk Factors — Risks Relating to the Group's Business — Further development of interest rate liberalization, the PBoC's adjustments to the benchmark interest rate, the deposit insurance program and other regulatory changes in the PRC's banking industry may materially and adversely affect the Group's results of operations".

Depreciation and Amortization

The Group's depreciation and amortization consist primarily of depreciation of the Group's property and equipment and amortization of land use rights, software and other intangible assets. The Group's depreciation and amortization increased by 10.6% from RMB299.8 million for the year ended December 31, 2016 to RMB331.6 million for the year ended December 31, 2017 primarily due to the Group's expansion of its branch network.

Rental and Property Management Expenses

The Group's rental and property management expenses increased from RMB159.7 million for the year ended December 31, 2016 to RMB191.2 million for the year ended December 31, 2017 primarily due to the Group's expansion of its branch network.

Other Operating Expenses

	For the year ended December 31,	
	2016	**2017**
	(in millions of RMB)	
Business marketing expenses	366.6	486.7
Office expenses	369.1	353.5
Cash transportation costs	33.7	62.8
Insurance premiums	24.9	33.5
Electronic equipment operating costs	44.7	44.1
Professional and technical service fees	21.9	32.5
Security expenses	10.7	8.5
Repair costs	4.9	4.2
Tax	7.1	0.8
Others(1)	4.1	3.2
Total	887.7	1,029.8

Note:

(1) Consists primarily of deposit insurance fees and maintenance fees.

The Group's other operating expenses primarily consist of business marketing expenses, office expenses, cash transportation costs, insurance premiums, electronic equipment operating costs and other expenses. The Group's other operating expenses increased by 16.0% from RMB887.7 million for the year ended December 31, 2016 to RMB1,029.8 million for the year ended December 31, 2017 primarily due to an increase in business marketing expenses in line with the Group's business expansion.

Impairment Losses on Assets

The following table sets forth the principal components of the Group's impairment losses on assets for the periods indicated.

	For the year ended December 31,	
	2016	**2017**
	(in millions of RMB)	
Impairment losses on assets:		
Loans and advances to customers	2,835.4	2,193.6
Investments classified as receivables	745.7	356.1
Others(1)	33.4	26.1
Total	**3,614.5**	**2,575.8**

Note:

(1) Consist primarily of impairment from provisions made on advances to litigation fees and evaluation expenses in respect of prosecution for loan.

Impairment losses on assets decreased by 28.7% from RMB3,614.5 million for the year ended December 31, 2016 to RMB2,575.8 million for the year ended December 31, 2017 primarily due to a 22.6% decrease in impairment losses on loans and advances to customers from RMB2,835.4 million for the year ended December 31, 2016 to RMB2,193.6 million for the year ended December 31, 2017, which was accompanied by a decrease of 52.2% in impairment losses on investments classified as receivables from RMB745.7 million for the year ended December 31, 2016 to RMB356.1 million for the year ended December 31, 2017.

Impairment losses on loans and advances to customers decreased by 22.6% from RMB2,835.4 million in 2016 to RMB2,193.6 million for the year ended December 31, 2017 primarily because of improvement in overall quality of the Group's loan portfolio mainly attributed to the Group's strict implementation of risk management measures and development of clients with strong credit.

The Group recorded impairment losses on investments classified as receivables decreased from RMB745.7 million for the year ended December 31, 2016 to RMB356.1 million for the year ended December 31, 2017 primarily because the Group successfully recovered non-performing assets classified as receivables in 2017.

Shares of Profits of Associates

The Group's shares of profits of associates increased from RMB1.2 million in 2016 to RMB12.0 million in 2017, primarily because improvement in results of relevant village and township banks in 2017. The Group's investments in associates comprises the Bank's investments in village and township banks. For details please see "Business — Village and Township Banks".

Income Tax

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the periods indicated.

	For the year ended December 31,	
	2016	2017
	(in millions of RMB)	
Profit before tax	2,413.5	3,741.1
Income tax calculated at applicable statutory tax rate of 25%	603.4	935.3
Non-deductible expenses	61.3	111.4
Non-taxable income[1]	(68.6)	(252.3)
Adjustment for prior years	139.5	31.9
Income tax	735.6	826.3

Note:

(1) Non-taxable income mainly represents interest income from the PRC government bonds and income from investment funds, which is income tax free in accordance with the PRC tax regulations.

The Group's income tax expenses increased by 12.3% from RMB735.6 million for the year ended December 31, 2016 to RMB826.3 million for the year ended December 31, 2017 primarily because of an increase in the Group's profit.

The Group's effective income tax rate was 30.5% and 22.1% for the years ended December 31, 2016 and 2017, respectively. The decrease in the effective income tax rate was primarily due to increase in non-taxable income in the year ended December 31, 2017 mainly as a result of the increase in Group's investment in monetary market fund which is tax free according to relevant PRC laws and regulations.

The following table sets forth the components of the Group's income tax expenses for the periods indicated.

	For the year ended December 31,	
	2016	2017
	(in millions of RMB)	
Current income tax – PRC enterprise income tax	1,031.3	1,093.8
Deferred income tax	(295.7)	(267.5)
Total Income tax expenses	**735.6**	**826.3**

Net Profit

Primarily as a result of all the foregoing factors, the Group's net profit increased significantly by 73.7% from RMB1,677.9 million for the year ended December 31, 2016 to RMB2,914.8 million for the year ended December 31, 2017.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

The Group's net profit increased significantly from RMB772.8 million for the year ended December 31, 2015 to RMB1,677.9 million for the year ended December 31, 2016, primarily due to increases in the Group's net interest income and net fee and commission income.

Net Interest Income

Net interest income was the largest component of the Group's operating income, representing 90.6% and 87.1%, of the Group's operating income for the years ended December 31, 2015 and 2016, respectively.

The following table sets forth the Group's interest income, interest expense and net interest income for the periods indicated.

	For the years ended December 31,	
	2015	2016
	(in millions of RMB)	
Interest income	10,155.7	12,786.0
Interest expense	3,914.6	4,959.8
Net interest income	**6,241.1**	**7,826.2**

The Group's net interest income increased by 25.4% from RMB6,241.1 million in 2015 to RMB7,826.2 million in 2016 primarily due to a 25.9% increase in interest income, which was partially offset by a 26.7% increase in interest expense.

The following table sets forth the daily average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on assets or related average cost of liabilities for the periods indicated.

	For the year ended December 31,					
	2015			2016		
	Daily average balance	Interest income	Average yield[1]	Daily average balance	Interest income	Average yield[1]
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	70,911.2	5,659.1	7.98%	98,064.7	6,413.0	6.54%
Investment[2]						
Financial assets at fair value through profit or loss	2,637.2	127.4	4.83%	2,907.4	112.2	3.86%
Available-for-sale financial assets	2,916.3	128.9	4.42%	16,829.0	649.8	3.86%
Held-to-maturity investments	14,494.5	590.2	4.07%	16,162.5	637.2	3.94%
Investment classified as receivables	37,843.3	2,609.8	6.90%	76,715.2	4,070.8	5.31%
Subtotal	57,891.3	3,456.3	5.97%	112,614.1	5,470.0	4.86%
Deposits with the central bank[3]	20,577.8	304.5	1.48%	27,279.6	398.9	1.46%
Deposits with banks and other financial institutions	12,041.0	415.1	3.45%	7,730.0	232.6	3.01%
Placements with banks and other financial institutions	15.6	0.5	3.21%	11.8	0.5	4.24%
Financial assets held under resale agreements	7,696.2	320.2	4.16%	10,880.1	271.0	2.49%
Total interest-earning assets	**169,133.1**	**10,155.7**	**6.00%**	**256,580.3**	**12,786.0**	**4.98%**

	For the year ended December 31,					
	2015			2016		
	Daily average balance	Interest expense	Average cost(1)	Daily average balance	Interest expense	Average cost(1)
	(in millions of RMB, except percentages)					
Interest-bearing liabilities						
Deposits from customers	111,335.3	2,321.4	2.09%	167,491.1	2,958.9	1.77%
Deposits from banks and other financial institutions	18,127.5	753.5	4.16%	22,930.7	624.1	2.72%
Borrowing from the central bank	405.2	14.4	3.55%	396.4	13.9	3.51%
Placements from banks and other financial institutions	425.6	16.0	3.76%	384.1	8.2	2.13%
Financial assets sold under repurchase agreement	10,055.5	260.5	2.59%	12,981.8	308.0	2.37%
Debt securities issued(4)	11,678.7	547.7	4.69%	24,515.0	890.0	3.63%
Borrowings from banks and other financial institutions	15.3	0.6	3.93%	4,168.4	156.7	3.76%
Bill rediscounted	21.9	0.5	2.28%	–	–	–
Total interest-bearing liabilities	**152,064.9**	**3,914.6**	**2.57%**	**232,867.5**	**4,959.8**	**2.13%**
Net interest income		**6,241.1**			**7,826.2**	
Net interest spread(5)			**3.43%**			**2.85%**
Net interest margin(6)			**3.69%**			**3.05%**

Notes:

(1) Calculated by dividing interest income/expense by daily average balance.

(2) Consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

(3) Consist of statutory deposit reserves, surplus deposit reserves and fiscal deposits.

(4) Consist of certificates of interbank deposit issued by the Group, subordinated bonds and other bonds.

(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 using net interest income divided by the daily average balance of total interest-earning assets.

The following table sets forth the allocation of changes in the Group's interest income and interest expense due to changes in volume and changes in rate for the periods indicated. 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, 2016 vs. 2015		
	Increase/(decrease) due to		Net Increase/ (decrease)[3]
	Volume[1]	Rate[2]	
	(in millions of RMB)		
Assets			
Loans and advances to customers	1,775.7	(1,021.8)	753.9
Investments			
Financial assets at fair value through profit or loss	10.4	(25.6)	(15.2)
Available-for-sale financial assets	537.2	(16.3)	520.9
Held-to-maturity investments	65.8	(18.8)	47.0
Investment classified as receivables	2,062.7	(601.7)	1,461.0
Subtotal	**2,676.1**	**(662.4)**	**2,013.7**
Deposits with the central bank[5]	98.0	(3.6)	94.4
Deposits with other banks and other financial institutions	(129.7)	(52.8)	(182.5)
Placements with banks and other financial institutions	(0.2)	0.2	–
Financial assets held under resale agreements	79.3	(128.5)	(49.2)
Changes in interest income	**4,499.2**	**(1,868.9)**	**2,630.3**
Liabilities			
Deposits from customers	992.0	(354.5)	637.5
Deposits from banks and other financial institutions	130.7	(260.1)	(129.4)
Borrowing from the central bank	(0.3)	(0.2)	(0.5)
Placements from banks and other financial institutions	(0.9)	(6.9)	(7.8)
Financial assets sold under repurchase agreements	69.4	(21.9)	47.5
Debt securities issued[6]	466.0	(123.7)	342.3
Borrowings from banks and other financial institutions	156.2	–	156.1
Bill rediscounted	–	(0.5)	(0.5)
Changes in interest expense	**1,813.2**	**(768.0)**	**1,045.2**
Changes in net interest income	**2,686.0**	**(1,101.0)**	**1,585.1**

Notes:

(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) Consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investment classified as receivables.

(5) Consist of statutory deposit reserves, surplus deposit reserves and fiscal deposits.

(6) Consist of certificates of interbank deposit issued by the Group, subordinated bonds and other bonds.

Interest Income

The following table sets forth a breakdown of the Group's interest income for the periods indicated.

	For the year ended December 31,			
	2015		2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Interest income arising from				
Loans and advances to customers				
Corporate loans and advances	4,317.7	42.5%	4,965.7	38.8%
Personal loans and advances	1,181.0	11.6%	1,335.3	10.4%
Discounted bills	160.4	1.6%	112.0	0.9%
Subtotal	**5,659.1**	**55.7%**	**6,413.0**	**50.1%**
Investments[1]				
Financial assets at fair value through profit or loss	127.4	1.3%	112.2	0.9%
Available-for-sale financial assets	128.9	1.3%	649.8	5.1%
Held-to-maturity investments	590.2	5.8%	637.2	5.0%
Investment classified as receivables	2,609.8	25.6%	4,070.8	31.8%
Subtotal	**3,456.3**	**34.0%**	**5,470.0**	**42.9%**
Deposits with the central bank	304.5	3.0%	398.9	3.1%
Deposits with banks and other financial institutions	415.1	4.1%	232.6	1.8%
Placements with banks and other financial institutions	0.5	–	0.5	–
Financial assets held under resale agreements	320.2	3.2%	271.0	2.1%
Total interest income	**10,155.7**	**100.0%**	**12,786.0**	**100.0%**

Note:

(1) Consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investment classified as receivables.

The Group's interest income increased by 25.9% from RMB10,155.7 million in 2015 to RMB12,786.0 million in 2016 primarily due to a 51.7% increase in the daily average balance of interest-earning assets from RMB169,133.1 million in 2015 to RMB256,580.3 million in 2016, which was partially offset by a decrease in the average yield on interest-earning assets from 6.00% in 2015 to 4.98% in 2016. The increase in the daily average balance of interest-earning assets was primarily attributable to the increases in the daily average balance of loans and advances to customers, investments and financial assets held under resale agreements, which were in line with the Group's business growth. The decrease in the average yield on interest-earning assets was primarily attributable to consecutive cuts in PBoC benchmark interest rates and the decrease in market interest rates.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the largest component of the Group's interest income, representing 55.7% and 50.1% of the Group's interest income in 2015 and 2016, respectively.

The following table sets forth the daily average balance, interest income and average yield for each component of the Group's loans and advances to customers for the periods indicated.

	For the year ended December 31,					
	2015			2016		
	Daily average balance	Interest income	Average yield	Daily average balance	Interest income	Average yield
	(in millions of RMB, except percentages)					
Corporate loans	54,103.7	4,317.7	7.98%	73,463.8	4,965.7	6.76%
Personal loans	14,794.4	1,181.0	7.98%	22,232.7	1,335.3	6.01%
Discounted bills	2,013.1	160.4	7.97%	2,368.2	112.0	4.73%
Total loans and advances to customers	**70,911.2**	**5,659.1**	**7.98%**	**98,064.7**	**6,413.0**	**6.54%**

The Group's interest income from loans and advances to customers increased by 13.3% from RMB5,659.1 million in 2015 to RMB6,413.0 million in 2016 primarily due to a 38.3% increase in the daily average balance of total loans and advances to customers from RMB70,911.2 million in 2015 to RMB98,064.7 million in 2016, which was partially offset by a decrease in the average yield on total loans and advances to customers from 7.98% in 2015 to 6.54% in 2016. The increase in the daily average balance of total loans and advances to customers was primarily due to the continued expansion of the Group's overall business. The decrease in the average yield on total loans and advances to customers was primarily attributable to consecutive interest rate cuts by the PBoC in 2015.

Interest income from corporate loans was the largest component of the Group's interest income from loans and advances to customers, representing 76.3% and 77.4% of the Group's total interest income from loans to customers for 2015 and 2016, respectively.

Corporate Loans. The Group's interest income from corporate loans increased by 15.0% from RMB4,317.7 million in 2015 to RMB4,965.7 million in 2016 primarily due to a 35.8% increase in the daily average balance of the Group's corporate loans from RMB54,103.7 million in 2015 to RMB73,463.8 million in 2016, which was partially offset by a decrease in average yield on the Group's corporate loans from 7.98% in 2015 to 6.76% in 2016. The increase in the daily average balance of the Group's corporate loans was attributable to the Group's continuous efforts in expanding its corporate loan business and in particular the financial leasing business. The Group established Jiangxi Financial Leasing in November 2015. The decrease in the average yield on corporate loans and advances was primarily due to a decrease in market interest rates mainly caused by consecutive cuts in PBoC benchmark interest rates before 2015.

Personal Loans. The Group's interest income from personal loans increased by 13.1% from RMB1,181.0 million in 2015 to RMB1,335.3 million in 2016 primarily due to a 50.3% increase in the daily average balance of the Group's personal loans from RMB14,794.4 million in 2015 to RMB22,232.7 million in 2016, which was partially offset by a decrease in the average yield on the Group's personal loans from 7.98% in 2015 to 6.01% in 2016. The increase in the daily average balance of the Group's personal loans was attributable to the Group's efforts to grow the Group's personal loan business. The decrease in the average yield on personal loans and advances was primarily due to a decrease in market interest rates.

Discounted Bills. The Group's interest income from discounted bills decreased by 30.2% from RMB160.4 million in 2015 to RMB112.0 million in 2016 primarily due to a decrease in the average yield on the Group's discounted bills from 7.97% in 2015 to 4.73% in 2016, which was partially offset by a 17.6% increase in the daily average balance of the Group's discounted bills from RMB2,013.1 million in 2015 to RMB2,368.2 million in 2016. The decrease in the average yield on discounted bills was primarily due to the decrease in the market interest rates. The increase in the daily average balance of the Group's discounted bills was primarily due to the increased allocation of funds to discounted bills.

Interest Income from Investments

Interest income from the Group's Investments consists of interest income from its financial assets at fair value through profit or loss, available-for-sale, held-to-maturity investments and investment classified as receivables.

Interest income from Investments accounted for 34.0% and 42.9% of the Group's interest income in 2015 and 2016, respectively.

The Group's interest income from Investments increased by 58.3% from RMB3,456.3 million in 2015 to RMB5,470.0 million in 2016 primarily due to a 94.5% increase in the daily average balance of the Group's Investments from RMB57,891.3 million in 2015 to RMB112,614.1 million in 2016, which was partially offset by a decrease in the average yield on the Group's Investments from 5.97% in 2015 to 4.86% in 2016. The increase in the daily average balance of the Group's Investments was primarily due to an increase in the Group's investments in debt securities, asset management plans, trust plans and wealth management products which is in line with the Group's efforts to expand its financial markets operations. The decrease in the average yield on the Group's Investments was primarily due to (i) the Group's allocated more funds to monetary market and bond funds in 2016 and (ii) a decrease in market interest rates as a result of lower PBoC benchmark interest rates.

Interest income from financial assets at fair value through profit or loss decreased slightly by 11.9% from RMB127.4 million in 2015 (with an average yield of 4.83%) to RMB112.2 million in 2016 (with an average yield of 3.86%), primarily due to a decrease in the Group's average yield for financial assets at fair value through profit or loss from 4.83% in 2015 to 3.86% in 2016, which was partially offset by an increase in the Group's daily average balance for financial assets at fair value through profit or loss. The Group's average yield for financial assets at fair value through profit or loss decreased from 4.83% in 2015 to 3.86% in 2016 primarily because of a decrease in the market interest rates.

Interest income from available-for-sale financial assets increased substantially by 404.1% from RMB128.9 million in 2015 (with an average yield of 4.42%) to RMB649.8 million in 2016 (with an average yield of 3.86%), primarily due to an increase in the Group's daily average balance for available-for-sale financial assets. The Group's daily average balance for available-for-sale financial assets increased from RMB2,916.3 million as of December 31, 2015 to RMB16,829.0 million as of December 31, 2016 primarily due to the Group's increased allocation of funds to debt securities issued by the PRC Government, investment funds and trust plans.

Interest income from held-to-maturity investments increased by 8.0% from RMB590.2 million in 2015 (with an average yield of 4.07%) to RMB637.2 million in 2016 (with an average yield of 3.94%), primarily due to an increase in the Group's daily average balance for held-to-maturity investments. The Group's daily average balance for held-to-maturity investments increased from RMB14,494.5 million as of December 31, 2015 to RMB16,162.5 million as of December 31, 2016 primarily reflecting the Group's increased allocation of funds to debt securities issued by PRC policy banks and its overall growth of the Group's investments in debt securities.

Interest income from investment classified as receivables increased by 56.0% from RMB2,609.8 million in 2015 (with an average yield of 6.90%) to RMB4,070.8 million in 2016 (with an average yield of 5.31%), primarily due to an increase in the Group's daily average balance for investment classified as receivables. The Group's daily average balance for investment classified as receivables increased from RMB37,843.3 million as of December 31, 2015 to RMB76,715.2 million as of December 31, 2016 primarily due to the Group's continuous efforts in expanding and growing its asset management plans and trust plans. For details, please see "Assets and Liabilities — Investments".

Interest Income from Deposits with the Central Bank

The Group's interest-earning deposits with the central bank consist primarily of statutory deposit reserves, surplus deposit reserves and fiscal deposits with the PBoC. Statutory deposit reserves represent the minimum level of cash deposits that the Group is required to maintain at the PBoC, calculated as a percentage of the balance of the Group's overall deposits from customers. Surplus deposit reserves are deposits with the PBoC in excess of statutory deposit reserves, which the Group maintains for clearing purposes.

Interest income from deposits with the central bank represented 3.0% and 3.1% of the Group's interest income in 2015 and 2016, respectively.

The Group's interest income from deposits with the central bank increased by 31.0% from RMB304.5 million in 2015 to RMB398.9 million in 2016 primarily due to a 32.6% increase in the daily average balance of the Group's deposits with the central bank from RMB20,577.8 million in 2015 to RMB27,279.6 million in 2016, which was partially offset by a slight decrease in the average yield on the Group's deposits with the central bank from 1.48% in 2015 to 1.46% in 2016. The increase in the daily average balance of the Group's deposits with the central bank was primarily attributable to an increase in the statutory deposit reserve applicable to the Group. The average yield on the Group's deposits with the central bank remained relatively stable in 2015 and 2016.

Interest Income from Deposits with Banks and Other Financial Institutions

Interest income from deposits with banks and other financial institutions represented 4.1% and 1.8% of the Group's interest income in 2015 and 2016, respectively.

The Group's interest income from deposits with banks and other financial institutions decreased by 44.0% from RMB415.1 million in 2015 to RMB232.6 million in 2016 primarily due to (i) a decrease in the average yield on the Group's deposits with banks and other financial institutions from 3.45% in 2015 to 3.01% in 2016; and (ii) a 35.8% decrease in the daily average balance of the Group's deposits with banks and other financial institutions from RMB12,041.0 million in 2015 to RMB7,730.0 million in 2016. The decrease in the average yield on the Group's deposits with banks and other financial institutions was primarily attributable to a decrease in market interest rates mainly caused by consecutive cuts in the PBoC benchmark interest rate since 2015. The decrease in the daily average balance of the Group's deposits with banks and other financial institutions was primarily because the Group increased its investments to other products with higher yields.

Interest Income from Placements with Banks and Other Financial Institutions

The Group's interest income from placements with banks and other financial institutions remained relatively stable at approximately RMB0.5 million in 2015 and 2016.

Interest Income from Financial Assets Held under Resale Agreements

Interest income from financial assets held under resale agreements represented 3.2% and 2.1% of the Group's interest income in 2015 and 2016, respectively.

The Group's interest income from financial assets held under resale agreements decreased by 15.4% from RMB320.2 million in 2015 to RMB271.0 million in 2016 primarily due to a decrease in the average yield on the Group's financial assets held under resale agreements from 4.16% in 2015 to 2.49% in 2016, which was partially offset by an increase in the daily average balance of the Group's financial assets held under resale agreements from RMB7,696.2 million in 2015 to RMB10,880.1 million in 2016. The decrease in the average yield on the Group's financial assets held under resale agreements was primarily due to the decrease in the interbank market interest rate in 2016. The increase in the daily average balance of the Group's financial assets held under resale agreements was primarily attributable to the Group's entering into more reverse repurchase transactions to manage its liquidity.

Interest Expense

The following table sets forth a breakdown of the Group's interest expense for the periods indicated.

	For the year ended December 31,			
	2015		2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Interest expenses arising from				
Deposits from customers	2,321.4	59.3%	2,958.9	59.6%
Deposits from banks and other financial institutions	753.5	19.2%	624.1	12.6%
Borrowing from the central bank	14.4	0.4%	13.9	0.3%
Placements from banks and other financial institutions	16.0	0.4%	8.2	0.2%
Financial assets sold under repurchase agreements	260.5	6.7%	308.0	6.2%
Debt securities issued	547.7	14.0%	890.0	17.9%
Borrowings from banks and other financial institutions	0.6	–	156.7	3.2%
Bill rediscounted	0.5	–	–	–
Total interest expense	**3,914.6**	**100.0%**	**4,959.8**	**100.0%**

The Group's interest expense increased by 26.7% from RMB3,914.6 million in 2015 to RMB4,959.8 million in 2016 primarily due to a 53.1% increase in the daily average balance of interest-bearing liabilities from RMB152,064.9 million in 2015 to RMB232,867.5 million in 2016, which was partially offset by a decrease in the average cost on interest-bearing liabilities from 2.57% in 2015 to 2.13% in 2016. The increase in the daily average balance of interest-bearing liabilities was primarily attributable to the increases in the daily average balance of deposits from customers, financial assets sold under repurchase agreements, debt securities issued and borrowings from other financial institutions, which were in line with the Group's overall business growth. The decrease in the average cost on interest-bearing liabilities was primarily attributable to consecutive interest rate cuts by the PBoC in 2015.

Interest Expense on Deposits from Customers

During the Track Record Period, deposits from customers were the Group's primary source of funding. The Group's interest expense on deposits from customers accounted for 59.3% and 59.6% of the Group's total interest expense for 2015 and 2016, respectively.

The following table sets forth the daily average balance, interest expense and average cost of the Group's deposits from customers by product type for the periods indicated.

	For the year ended December 31,					
	2015			2016		
	Daily average balance	Interest expense	Average cost	Daily average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)					
Corporate deposits						
Time[(1)]	42,556.7	1,347.6	3.17%	58,755.9	1,508.3	2.57%
Demand	42,483.7	308.2	0.73%	66,408.1	523.8	0.79%
Sub-total	85,040.4	1,655.8	1.95%	125,164.0	2,032.1	1.62%
Personal deposits						
Time[(1)]	18,450.1	635.8	3.45%	31,621.2	887.8	2.81%
Demand	7,844.8	29.8	0.38%	10,705.9	39.0	0.36%
Subtotal	26,294.9	665.6	2.53%	42,327.1	926.8	2.19%
Total deposits from customers	**111,335.3**	**2,321.4**	**2.09%**	**167,491.1**	**2,958.9**	**1.77%**

Note:

(1) Include principal-protected wealth management products, which the Group classifies as deposits from customers pursuant to regulatory rules.

The Group's interest expense on deposits from customers increased by 27.5% from RMB2,321.4 million in 2015 to RMB2,958.9 million in 2016 primarily due to a 50.4% increase in the Group's daily average balance of deposits from customers from RMB111,335.3 million in 2015 to RMB167,491.1 million in 2016, which was partially offset by a decrease in the Group's average cost on deposits from customers from 2.09% in 2015 to 1.77% in 2016. The increase in the Group's daily average balance of deposits from customers was primarily due to the Group's continued efforts to develop its deposit business by developing institutional customers and diversifying its retail banking products. The decrease in the Group's average cost on deposits from customers was primarily due to consecutive interest rate cuts by the PBoC in 2015.

Interest Expense on Deposits from Banks and Other Financial Institutions

The Group's interest expense on deposits from banks and other financial institutions accounted for 19.2% and 12.6% of the Group's interest expense in 2015 and 2016, respectively.

The Group's interest expense on deposits from banks and other financial institutions decreased by 17.2% from RMB753.5 million in 2015 to RMB624.1 million in 2016 primarily due to a decrease in the Group's average cost of deposits from banks and other financial institutions from 4.16% in 2015 to 2.72% in 2016, which was partially offset by an increase in the Group's daily average balance of deposits from banks and other financial institutions from RMB18,127.5 million in 2015 to RMB22,930.7 million in 2016. The decrease in the Group's average cost of deposits from banks and other financial institutions was primarily due to a continued decrease in market interest rates mainly caused by increased market liquidity. The increase in the Group's daily average balance of deposits from banks and other financial institutions was primarily because the Group diversified its funding sources by increasing financing from the interbank market.

Interest Expense on Borrowing from the Central Bank

The Group's interest expense on borrowing from the central bank represented 0.4% and 0.3% of the Group's interest expenses in 2015 and 2016, respectively.

Interest Expense on Placements from Banks and Other Financial Institutions

The Group's interest expense on placements from banks and other financial institutions represented 0.4% and 0.2% of the Group's interest expenses in 2015 and 2016, respectively.

Interest Expense on Financial Assets Sold under Repurchase Agreements

The Group's interest expense on financial assets sold under repurchase agreements represented 6.7% and 6.2% of the Group's interest expense in 2015 and 2016, respectively.

The Group's interest expense on financial assets sold under repurchase agreements increased by 18.2% from RMB260.5 million in 2015 to RMB308.0 million in 2016 primarily due to an increase in the Group's daily average balance of financial assets sold under repurchase agreements from RMB10,055.5 million in 2015 to RMB12,981.8 million in 2016, which was partially offset by a decrease in the Group's average cost of financial assets sold under repurchase agreements from 2.59% in 2015 to 2.37% in 2016. The increase in the Group's daily average balance of financial assets sold under repurchase agreements primarily reflected the Group's increased funding needs in expanding its business. The decrease in the Group's average cost of financial assets sold under repurchase agreements was primarily due to the decrease in the interbank market interest rate.

Interest Expense on Debt Securities Issued

The Group's interest expense on debt securities issued represented 14.0% and 17.9% of the Group's interest expense in 2015 and 2016, respectively. Please see "— Capital Resources — Debt — Debt Securities Issued" in this section for more details.

The Group's interest expense on debt securities issued increased by 62.5% from RMB547.7 million in 2015 to RMB890.0 million in 2016 primarily due to a significant increase in the Group's daily average balance of debt securities issued from RMB11,678.7 million in 2015 to RMB24,515.0 million in 2016, which was partially offset by a decrease in the Group's average cost of debt securities issued from 4.69% in 2015 to 3.63% in 2016. The increase in the Group's daily average balance of debt securities issued was primarily because (i) the Group increased issuance of certificates of deposit, which the Group believes constitute a stable source of funding and (ii) the Group's issuance of green bonds in 2016. The decrease in the Group's average cost of debt securities issued was mainly caused by a decrease in market interest rates and the Group's increased issuance of certificates of interbank deposit with relatively low costs.

Interest Expense on Borrowings from Banks and other Financial Institutions

The Group's interest expense on borrowings from banks and other financial institutions represented nil and 3.2% of the Group's interest expenses in 2015 and 2016, respectively. The Group's interest expense on borrowings from banks and other financial institutions amounted to RMB0.6 million and RMB156.7 million in 2015 and 2016, respectively.

The Group's interest expense on borrowings from banks and other financial institutions increased significantly from RMB0.6 million in 2015 to RMB156.7 million in 2016 primarily due to an increase in the Group's daily average balance of borrowings from banks and other financial institutions from RMB15.3 million in 2015 to RMB4,168.4 million in 2016, which was partially offset by a decrease in the Group's average cost of borrowings from banks and other financial institutions from 3.93% to 3.76%. The increase in the Group's daily average balance of borrowings from banks and other financial institutions was primarily because the Group diversified its funding resources by increasing financing from the interbank market. The decrease in the Group's average cost of borrowings from banks and other financial institutions was primarily due to a decrease in market interest rates caused by increased market liquidity.

Interest Expense on Bill Rediscounted

The Group's interest expense on the bill rediscounted amounted to RMB0.5 million and nil, in 2015 and 2016, respectively.

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.

The Group's net interest spread decreased from 3.43% in 2015 to 2.85% in 2016 primarily because the Group's average yield on interest-earning assets decreased by 102 basis points from 6.00% in 2015 to 4.98% in 2016 while the Group's average cost on interest-bearing liabilities decreased by 44 basis points from 2.57% in 2015 to 2.13% in 2016. This was primarily due to (i) consecutive interest rate cuts by the PBoC in 2015, and (ii) the optimization of the Group's asset structure by increasing investment in financial products with comparatively lower risks and returns in line with its cautious risk management strategy in order to respond to the challenging market conditions. The Group's net interest margin decreased from 3.69% in 2015 to 3.05% in 2016 primarily because the growth in the Group's daily average balance of interest-earning assets outpaced the growth in the Group's net interest income.

Net Fee and Commission Income

Net fee and commission income represented 7.9% and 10.7% of the Group's total operating income for the years ended December 31, 2015 and 2016, respectively. The following table sets forth the principal components of the Group's net fee and commission income for the periods indicated.

	For the years ended December 31,	
	2015	**2016**
	(in millions of RMB)	
Fee and commission income		
Custodial service fees	154.4	90.6
Asset management business fees	137.9	332.1
Settlement and electronic channel business fees	70.5	88.2
Advisory and consulting fees	72.7	194.5
Bank card service fees	45.0	71.4
Agency services fees	58.7	83.7
Acceptance and guarantee service fees	33.5	32.5
Financial leasing service fees	20.4	123.7
Others(1)	–	1.0
Total	**593.1**	**1,017.7**
Fee and commission expense		
Settlement and clearing fees	(16.4)	(12.3)
Others(2)	(29.0)	(43.7)
Total	**(45.4)**	**(56.0)**
Net fee and commission income	**547.7**	**961.7**

Notes:

(1) Consist primarily of referral fees from third party.

(2) Consist primarily of POS service fees and other expenses.

The Group's net fee and commission income increased by 75.6% from RMB547.7 million in 2015 to RMB961.7 million in 2016 primarily due to a 71.6% increase in the Group's fee and commission income from RMB593.1 million in 2015 to RMB1,017.7 million in 2016, which is partially offset by a 23.3% increase in fee and commission expenses from RMB45.4 million in 2015 to RMB56.0 million in 2016.

Fee and Commission Income

The Group's fee and commission income increased by 71.6% from RMB593.1 million in 2015 to RMB1,017.7 million in 2016 primarily due to increases in the Group's agency services and advisory and consulting fee incomes.

Custodial Service Fees

Custodial service fees consist primarily of fees earned from the Group's custodial services provided to trust companies and fees earned from recovering and management of non-performing assets. The Group's custodial service fees decreased by 41.3% from RMB154.4 million in 2015 to RMB90.6 million in 2016, primarily due to the decrease in fees earned from the Group's custodial services provided to trust companies.

Asset Management Business Fees

Asset management business fees consist primarily of asset management business fees the Group charged for wealth management products issued by the Group. The Group's asset management business fees increased from RMB137.9 million in 2015 to RMB332.1 million in 2016 primarily due to the Group's efforts in selling more wealth management services in 2016.

Settlement and Electronic Channel Business Fees

Settlement and electronic channel business fees consist primarily of fees earned on settlement and clearing services in respect of bank drafts, commercial drafts, promissory notes and checks, as well as fees earned on money transfers and clearing services. The Group's settlement and electronic channel business fees increased by 25.1% from RMB70.5 million in 2015 to RMB88.2 million in 2016 primarily due to increases in both the number of customers and transactions volumes as a result of the Group's continued efforts to improve its electronic banking services and products, expand its electronic banking channels and grow its electronic banking customer base.

Advisory and Consulting Fees

Advisory and consulting fees consist primarily of fees earned on advisory and consulting services the Group provided to its corporate and financial institution customers. The Group's advisory and consulting fees increased significantly from RMB72.7 million in 2015 to RMB194.5 million in 2016 primarily due to the Group's continuous efforts in providing its advisory services to quality clients and projects with higher commission.

Bank Card Service Fees

Bank card service fees consist primarily of credit card installment fees, POS settlement fees and transaction fees from merchants and customers on the use of the Group's bank cards. The Group's bank card service fees increased by 58.7% from RMB45.0 million in 2015 to RMB71.4 million in 2016 primarily due to a continued increase in the number of the Group's credit card holders and an increase in transaction volume.

Agency Services Fees

Agency services fees consist primarily of fees earned from the Group's entrusted loan business, agency distribution of insurance and fund products. The Group's agency services fees increased significantly from RMB57.4 million in 2015 to RMB83.7 million in 2016 primarily due to an increase in financial products the Group distributed in line with the expansion of the Group's business network.

Acceptance and Guarantee Service Fees

Acceptance and guarantee service fees consist primarily of fees earned from opening letters of guarantee and letters of credit to the Group's customers. The Group's acceptance and guarantee service fees decreased slightly by 3.0% from RMB33.5 million in 2015 to RMB32.5 million in 2016 primarily due to a decrease in the number of bank acceptances and letters of guarantee the Group issued in 2016.

Financial Leasing Service Fees

Financial leasing service fees consist primarily of fees and commissions earned from the Group's subsidiary, Jiangxi Financial Leasing. The Group's financial leasing service fees increased significantly from RMB20.4 million in 2015 to RMB123.7 million in 2016 primarily reflecting the rapid growth of its newly started financial leasing business in November 2015.

Fee and Commission Expenses

Fee and commission expenses consist primarily of fees paid to third parties in connection with the Group's fee and commission based services that can be directly allocated to the provision of such services. The Group's fee and commission expenses increased by 23.3% from RMB45.4 million in 2015 to RMB56.0 million in 2016 primarily reflecting the growth in the Group's overall fee- and commission-based businesses.

Net Trading Gains/(Losses)

Net trading gains/(losses) primarily included gains or losses arising from selling, and the fair value changes, of financial assets held for trading. The Group's net trading gains were RMB49.5 million in 2015 and incurred net trading losses of RMB61.1 million in 2016 primarily because the market prices for debt securities remained low in 2016.

Net Gains Arising from Investment Securities

The Group realized net gains arising from investment securities of RMB0.1 million in 2015 and RMB234.4 million in 2016. The increase of net gains was primarily due to (i) the Group's disposal of available-for-sale financial assets in 2016; and (ii) an increase of realized gains from the Group's investment in monetary market and bond funds in 2016.

Other Operating Income

The following table sets forth the principal components of the Group's other operating income for the years indicated.

	For the year ended December 31,			
	2015		2016	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Other operating income:				
Government grants	16.9	31.4%	24.0	103.4%
Foreign exchange gains	5.8	10.7%	8.6	37.1%
Rental income	1.1	2.0%	7.3	31.5%
Net (losses)/gains on disposal of non-current assets	(0.6)	(1.1)%	0.3	1.3%
Others[1]	30.7	57.0%	(17.0)	(73.3)%
Total	**53.9**	**100.0%**	**23.2**	**100.0%**

Note:

(1) Consist primarily of the donation and sponsorship expenses, penalties and forfeiture payments and other non-operating income and expenses.

The Group's other operating income decreased by 57.0% from RMB53.9 million in 2015 to RMB23.2 million in 2016. In 2015, the Group received awards for participation in relocation and renovation projects in Jiangxi Province, as a result of which, the Group recognized RMB30.7 million in other operating income. However, the Group recognized a loss of RMB17.0 million in other operating income in 2016 primarily due to its donations to various charity funds for the development of underdeveloped areas in Jiangxi Province in 2016.

The Group made provision in relation to its outstanding litigation in the amount of RMB0.3 million and RMB2.6 million based on the Group's accounting policies, for 2015 and 2016, respectively. The Directors are of the view that such amount is reasonable and sufficient. For details on the Group's legal dispute, please see "Business — Legal and Administrative Proceedings — Legal Proceedings." Please also see Note 48e of the Accountants' Report attached to this prospectus.

Operating Expenses

The following table sets forth the principal components of the Group's total operating expenses for the periods indicated.

	For the years ended December 31,	
	2015	**2016**
	(in millions of RMB)	
Staff costs	931.8	1,325.5
Business tax and surcharges	482.3	284.9
Depreciation and amortization	177.1	299.8
Rental and property management expenses	116.9	159.7
Others[(1)]	691.0	887.7
Total operating expenses	**2,399.1**	**2,957.6**
Cost-to-income ratio[(2)]	**27.81%**	**29.75%**

Notes:

(1) Include office expenses, business marketing expenses and regulatory supervision expenses, and other management expenses.

(2) Calculated by dividing (i) total operating expenses, excluding business tax and surcharges, by (ii) total operating income.

The Group's operating expenses increased by 23.3% from RMB2,399.1 million in 2015 to RMB2,957.6 million in 2016 primarily because of (i) the increase in staff costs mainly due to the increased number of employees in line with the Group's business expansion and (ii) the increase in rental and property management expenses mainly due to the expansion in branch network in order to optimize geographic coverage.

The Group's cost-to-income ratio (excluding business tax and surcharges) was 27.81% and 29.75% in 2015 and 2016, respectively. The increase in the Group's cost-to-income ratio from 2015 to 2016 was primarily because the Group's operating expenses increased at a higher rate than the increase in the Group's operating income, mainly due to increases in the Group's staff costs and the expansion of the Group's network.

Staff Costs

Staff costs were the largest component of the Group's operating expenses, representing 38.8% and 44.8% of the Group's total operating expenses in 2015 and 2016, respectively.

The following table sets forth the components of the Group's staff costs for the years indicated.

	For the years ended December 31,	
	2015	2016
	(in millions of RMB)	
Salaries, bonuses and allowances	644.9	947.2
Social insurance and supplementary retirement benefits	120.0	154.8
Staff welfares	91.0	117.2
Housing allowances	46.9	62.3
Employee education expenses and labour union expenses	24.8	36.8
Others[(1)]	4.2	7.2
Total staff costs	**931.8**	**1,325.5**

Note:

(1) Primarily include uniform fees.

The Group's staff costs increased by 42.3% from RMB931.8 million in 2015 to RMB1,325.5 million in 2016 primarily due to an increase in the number of the Group's employees as a result of the Group's business expansion.

Salaries, bonuses and allowances were the largest component of the Group's staff costs, representing 69.2% and 71.5% of the Group's total staff costs in 2015 and 2016, respectively. The Group's salaries, bonuses and allowances increased by 46.9% from RMB644.9 million in 2015 to RMB947.2 million in 2016 primarily because the Group employed more employees in line with its business expansion. The increase was also caused by the Group's adjustment to its existing staff's employment package in order to retain quality talent in line with its business expansion strategy.

Business Tax and Surcharges

The Group's business tax and surcharges decreased by 40.9% from RMB482.3 million in 2015 to RMB284.9 million in 2016 primarily because business tax was replaced by the VAT in May 2016.

On March 23, 2016, the MOF issued "*Notice of Overall Implementation of Pilot Program for Value Added Tax Replacing Business Tax*" (Caishui [2016] No. 36). Pursuant to the Notice, starting May 1, 2016, VAT, instead of business tax, shall be levied for certain pilot industries, including the financial industry. For banks, VAT will be levied at the rate of 6.0%. Please also see the section headed "Risk Factors — Risks Relating to the Group's Business — Further development of interest rate liberalization, the PBoC's adjustments to the benchmark interest rate, the deposit insurance program and other regulatory changes in the PRC's banking industry may materially and adversely affect the Group's results of operations".

Depreciation and Amortization

The Group's depreciation and amortization consist primarily of depreciation of the Group's property and equipment and amortization of land use rights, software and other intangible assets. The Group's depreciation and amortization increased by 69.3% from RMB177.1 million in 2015 to RMB299.8 million in 2016 primarily due to the Group's expansion of branch network.

Rental and Property Management Expenses

The Group's rental and property management expenses increased from RMB116.9 million in 2015 to RMB159.7 million in 2016 primarily due to the Group's expansion of its branch network, particularly since the Acquisition in December 2015.

Other Operating Expenses

	For the years ended December 31,	
	2015	**2016**
	(in millions of RMB)	
Business marketing expenses	258.5	366.6
Office expenses	299.3	369.1
Cash transportation costs	16.4	33.7
Insurance premiums	4.3	24.9
Electronic equipment operating costs	50.4	44.7
Professional and technical service fees	31.6	21.9
Security expenses	5.1	10.7
Repair costs	3.8	4.9
Tax	17.5	7.1
Others[(1)]	4.1	4.1
Total	**691.0**	**887.7**

Note:

(1) Consists primarily of deposit insurance fees, and maintenance fees.

The Group's other operating expenses primarily consist of business marketing expenses, office expenses, cash transportation costs, insurance premiums, electronic equipment operating costs and other expenses. The Group's other operating expenses increased by 28.5% from RMB691.0 million in 2015 to RMB887.7 million in 2016 primarily due to an increase in business marketing expenses and office expenses mainly driven by business expansion.

Impairment Losses on Assets

The following table sets forth the principal components of the Group's impairment losses on assets for the years indicated.

	For the years ended December 31,	
	2015	**2016**
	(in millions of RMB)	
Impairment losses on assets:		
Loans and advances to customers	3,467.6	2,835.4
Investments classified as receivables	26.6	745.7
Others[(1)]	21.7	33.4
Total	**3,515.9**	**3,614.5**

Note:

(1) Consists primarily of other receivables, such as impairment from provisions made on advances to litigation fees and evaluation expenses in respect of prosecution for loan.

Impairment losses on assets increased slightly by 2.8% from RMB3,515.9 million in 2015 to RMB3,614.5 million in 2016 primarily due to (i) a significant increase in impairment losses on investments classified as receivables from RMB26.6 million in 2015 to RMB745.7 million in 2016; and (ii) a 53.9% increase in impairment losses on others assets from RMB21.7 million in 2015 to RMB33.4 million in 2016, which was partially offset by a 18.2% decrease in impairment losses on loans and advances to customers from RMB3,467.6 million in 2015 to RMB2,835.4 million in 2016.

Impairment losses on loans and advances to customers decreased by 18.2% from RMB3,467.6 million in 2015 to RMB2,835.4 million in 2016 primarily because of more prudent implementation of risk management measures in respect of credit risks by restricting loans to industries with high risk and improving loans to clients with good credit, which resulted in the improvement in overall quality of the Group's loan portfolio.

Impairment losses on investments classified as receivables increased substantially from RMB26.6 million in 2015 to RMB745.7 million in 2016 primarily due to an increase in the volume of the Group's investments classified as receivables from 2015 to 2016 mainly as a result of the expansion of the Group's financial markets business.

Impairment losses on other assets increased by 53.9% from RMB21.7 million in 2015 to RMB33.4 million in 2016 primarily due to the increase in average balance of other receivables such as impairment from provisions made on advances to litigation fees and evaluation expenses in respect of prosecution for loan.

Shares of (Losses)/Profits of Associates

The Group's shares of losses or profits of associates for the year ended December 31, 2015 amounted to a loss of RMB11.7 million and amounted to a profit of RMB1.2 million for the year ended December 31, 2016. The Group's investments in associates comprises the Bank's investments in village and township banks. For details please see "Business — Village and Township Banks".

Income Tax

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the years indicated.

	For the years ended December 31,	
	2015	2016
	(in millions of RMB)	
Profit before tax	965.6	2,413.5
Income tax calculated at applicable statutory tax rate of 25%	241.4	603.4
Non-deductible expenses	75.5	61.3
Non-taxable income[1]	(23.8)	(68.6)
Adjustment for prior year	(158.5)	139.5
Others	58.2	–
Income tax	**192.8**	**735.6**

Note:

(1) Non-taxable income mainly includes interest income from the PRC government bonds and income from investment funds, which are exempted from income tax in accordance with the PRC tax regulations.

The Group's income tax expenses increased by 281.5% from RMB192.8 million in 2015 to RMB735.6 million in 2016, primarily due to increases in the Group's profit before tax in 2016 and the increase in the Group's adjustment for prior years.

The Group's effective income tax rate was 20.0% and 30.5% in 2015 and 2016, respectively. The increase in the effective income tax in 2016 was primarily reflected the increase in substantial income tax mainly as a result of increase in profit before tax driven by business expansion of the Group. In addition, the increase was also attributed to the fact that the Bank made RMB139.5 million adjustment for prior year in 2016 mainly to reflect regulatory tax filing requirement promulgated by PRC Government in May 2015.

The following table sets forth the components of the Group's income tax expenses for the periods indicated.

	For the years ended December 31,	
	2015	2016
	(in millions of RMB)	
Current income tax – PRC enterprise income tax	261.5	1,031.3
Deferred income tax	(68.7)	(295.7)
Total Income tax expenses	**192.8**	**735.6**

Net Profit

Primarily as a result of all the foregoing factors, the Group's net profit increased significantly by 117.1% from RMB772.8 million in 2015 to RMB1,677.9 million in 2016.

SUMMARY OF SEGMENT OPERATING RESULTS

Summary Business Segment Information

The Group has three principal business segments: corporate banking, retail banking and financial markets business. Please see "Business – The Group's Principal Business Activities". The following table sets forth the Group's operating results for each of the Group's principal segment for the periods indicated.

	For the years ended December 31,														
	2015					2016					2017				
	Corporate banking	Retail banking	Financial markets	Others[1]	Total	Corporate banking	Retail banking	Financial markets	Others[1]	Total	Corporate banking	Retail banking	Financial markets	Others[1]	Total
	(in millions of RMB, except percentages)														
External net interest income[2]	2,590.4	633.1	3,017.6	–	6,241.1	2,902.2	450.2	4,473.8	–	7,826.2	1,830.8	766.7	4,883.6	–	7,481.1
Internal net interest income/(expenses)[3]	1,434.7	552.4	(1,952.5)	(34.6)	–	1,788.4	822.0	(2,532.2)	(78.2)	–	2,640.1	853.3	(3,415.1)	(78.3)	–
Net interest income	4,025.1	1,185.5	1,065.1	(34.6)	6,241.1	4,690.6	1,272.2	1,941.6	(78.2)	7,826.2	4,470.9	1,620.0	1,468.5	(78.3)	7,481.1
Net fee and commission income/(expense)	209.4	192.1	126.4	19.8	547.7	430.5	84.1	436.5	10.6	961.7	686.5	187.8	640.6	(24.2)	1,490.7
Net trading gains/(losses)	–	–	49.5	–	49.5	–	–	(61.1)	–	(61.1)	–	–	(110.0)	–	(110.0)
Net gains arising from investment securities	–	–	0.1	–	0.1	–	–	234.4	–	234.4	–	–	572.9	–	572.9
Other operating income/(expense)	34.8	0.1	–	19.0	53.9	16.3	–	(0.3)	7.2	23.2	(14.9)	(0.9)	5.5	27.9	17.6
Operating income	**4,269.3**	**1,377.7**	**1,241.1**	**4.2**	**6,892.3**	**5,137.4**	**1,356.3**	**2,551.1**	**(60.4)**	**8,984.4**	**5,142.5**	**1,806.9**	**2,577.5**	**(74.6)**	**9,452.3**
Operating expenses	(843.2)	(772.6)	(775.0)	(8.3)	(2,399.1)	(1,577.3)	(643.5)	(732.1)	(4.7)	(2,957.6)	(1,346.8)	(977.4)	(822.6)	(0.6)	(3,147.4)
Impairment losses on assets	(3,044.9)	(404.5)	(44.9)	(21.6)	(3,515.9)	(2,422.6)	(313.1)	(831.3)	(47.5)	(3,614.5)	(2,165.5)	(93.0)	(309.8)	(7.5)	(2,575.8)
Shares of (losses)/profits of associates	–	–	–	(11.7)	(11.7)	–	–	–	1.2	1.2	–	–	–	12.0	12.0
Operating profit/(loss)	**381.2**	**200.6**	**421.2**	**(37.4)**	**965.6**	**1,137.5**	**399.7**	**987.7**	**(111.4)**	**2,413.5**	**1,630.2**	**736.5**	**1,445.1**	**(70.7)**	**3,741.1**
% of total operating profit/(loss)	39.5%	20.8%	43.6%	(3.9)%	100.0%	47.1%	16.6%	40.9%	(4.6)%	100.0%	43.6%	19.7%	38.6%	(1.9)%	100.0%

Notes:

(1) Consists primarily of income or expense that is not directly attributable to any specific segment such as (a) internal net interest expense arising from internal charges and transfer pricing adjustments. In 2015, 2016 and 2017, internal net interest expense of this segment amounted to RMB34.6 million, RMB78.2 million and RMB78.3 million, respectively; (b) net fee and commission income or expense; and (c) other income, gain or loss, which include rental income, net gains or losses on disposal of non-current assets, government grants and donations. In 2016 and 2017 the Group recorded losses in other business segment mainly because the internal net interest expenses arising from the internal funds used for acquiring property and equipment such as premises that is not directly attributable to any specific business segment.

(2) Consists of net interest income/(expense) from external clients or activities.

(3) Consists of net interest income/(expense) attributable to each segment's transactions with other segments.

Operating income from the Group's corporate banking business increased from RMB4,269.3 million in 2015 to RMB5,137.4 million in 2016 primarily due to the Group's efforts in engaging more quality corporate banking business, particularly since the Acquisition as the Bank is the only provincial bank in Jiangxi Province. Operating income from the Group's corporate banking business increased from RMB5,137.4 million in 2016 to RMB5,142.5 million in 2017, primarily due to expansion of the Group's corporate banking business, including its efforts in providing more attractive corporate banking products and services, including financial leasing services and wealth management services.

Operating profit of the Group's corporate banking business increased from RMB381.2 million in 2015 to RMB1,137.5 million in 2016, and further increased to RMB1,630.2 million in 2017, primarily due to (i) continued increases in operating income from the corporate banking business, (ii) the Group's efforts in restricting operating expenses in corporate banking business through optimizing business network, particular, after the Acquisition; and (iii) continued decreases in the impairment losses on assets primarily due to improvement in overall quality of loan portfolio mainly as a result of the Group's strict implementation of risk management measures and development of quality clients with strong credit during the Track Record Period.

Operating income from the Group's retail banking business decreased slightly from RMB1,377.7 million in 2015 to RMB1,356.3 million in 2016, primarily due to (i) a decrease in external net interest income from RMB633.1 million in 2015 to RMB450.2 million in 2016 mainly caused by the decrease of market interest rates and (ii) a decrease in net fee and commission income under retail banking business from RMB192.1 million in 2015 to RMB84.1 million in 2016 primarily due to the Group's marketing efforts to promote retail banking services by lowering the fees and commissions for the retail banking services due to intense market competition. Operating income from the Group's retail banking business increased by 33.2% from RMB1,356.3 million in 2016 to RMB1,806.9 million in 2017 primarily because of the expansion of the Group's retail banking business.

Operating profit of the Group's retail banking business increased from RMB200.6 million in 2015 to RMB399.7 million in 2016 primarily due to the Group's efforts in reducing operating expenses. Operating profit of the Group's retail banking business increased to RMB736.5 million in 2017 from RMB399.7 million in 2016 primarily due to an increase in the retail banking business's operating income.

Operating income from the Group's financial markets business increased by 105.6% from RMB1,241.1 million in 2015 to RMB2,551.1 million in 2016 and further slightly increased to RMB2,577.5 million in 2017, primarily due to the Group's efforts in expanding its financial markets business during the Track Record Period in response to challenges brought up by interest rate liberalization and to pursue better investment return, particularly since the Acquisition.

Operating profit of the Group's financial markets business increased from RMB421.2 million in 2015 to RMB987.7 million in 2016, and further increased to RMB1,445.1 million in 2017 primarily due to continued increases in operating income from the financial markets business and decrease in impairment losses on assets in financial market business segment mainly as a result of Group's effort in strictly implementing risk management measures to improve quality of investments.

Summary of Operating Results by Geographical Regions

In presenting information on the basis of geographical regions, operating income is gathered according to the locations of the branches or subsidiaries that generated the income. For the purpose of presentation, the Group categorizes such information by geographical regions. The following table sets forth the total operating income of each of the geographical regions for the periods indicated.

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Head office	1,918.2	27.8%	2,955.2	32.9%	2,582.0	27.3%
Nanchang (apart from head office)	3,209.3	46.6%	3,373.6	37.6%	3,724.6	39.4%
Within Jiangxi Province (apart from Nanchang)	1,350.7	19.6%	1,924.1	21.4%	2,449.5	25.9%
Outside Jiangxi Province	414.1	6.0%	731.5	8.1%	696.2	7.4%
Total	**6,892.3**	**100.0%**	**8,984.4**	**100.0%**	**9,452.3**	**100.0%**

The Group mainly operated the Group's business in Jiangxi Province. During the Track Record Period, the Group's head office and Nanchang were the largest source of the Group's operating income. In 2015, 2016, operating income from the Group's head office and Nanchang accounted for 74.4% and 70.5%, respectively, of the Group's total operating income. In 2017, operating income from the Group's head office and Nanchang accounted for 66.7%, respectively, of the Group's total operating income.

CASH FLOWS

The following table sets forth the Group's cash flows for the periods indicated. Please see Appendix I — "Accountants' Report".

	For the years ended December 31,		
	2015	2016	2017
	(in millions of RMB)		
Net cash generated from operating activities	2.869.7	48,397.9	25,386.9
Net cash used in investing activities	(22,113.9)	(75,210.4)	(25,084.6)
Net cash generated from/(used in) financing activities	16,931.5	25,321.3	(2,931.1)
Effect of exchange rate changes on cash and cash equivalents	(36.2)	(49.0)	62.1
Net decrease in cash and cash equivalents	(2,348.9)	(1,540.2)	(2,566.7)
Cash and cash equivalents at the beginning of the year	20,402.8	18,053.9	16,513.7
Cash and cash equivalents at the end of the year	**18,053.9**	**16,513.7**	**13,947.0**

Cash Flows Generated from Operating Activities

Cash inflows from operating activities are primarily attributable to increases in deposits from customers, deposits from banks and other financial institutions and borrowings from the central bank and other financial institutions.

The increase in the Group's deposits from customers and deposits from banks and other financial institutions was RMB27,639.9 million, RMB64,908.1 million and RMB51,598.4 million in 2015, 2016 and 2017, respectively. The net increase in the borrowings from other financial institutions in 2015, 2016 and 2017 amounted to RMB100.0 million, RMB6,380.0 million and RMB1,970.0 million, respectively.

Cash outflows from operating activities are primarily attributable to increases in loans and advances from customers and deposits with central bank.

The net increase in the Group's loans and advances to customers amounted to RMB21,259.5 million, RMB24,314.1 million and RMB22,701.9 million in 2015, 2016 and 2017, respectively. For a discussion on increases in the Group's loans and advances to customers from December 31, 2015, 2016 and 2017, please see "Assets and Liabilities — Assets — Loans to Customers". The net increase in the Group's deposits with central bank was RMB2,038.6 million, RMB5,698.7 million and RMB7,985.1 million in 2015, 2016 and 2017, respectively.

Primarily attributable to the above factors, the Group's net cash generated from operating activities was RMB2,869.7 million, RMB48,397.9 million and RMB25,386.9 million in 2015, 2016 and 2017, respectively.

Cash Flows Used in Investing Activities

Cash inflows from investing activities are primarily attributable to proceeds from disposal and redemption of investments. The Group received cash from disposal and redemption of investments of RMB187,350.4 million, RMB643,582.5 million and RMB620,373.5 million in 2015, 2016 and 2017, respectively.

The Group's cash outflows from investing activities are primarily attributable to payments on acquisition of investments. The Group used cash of RMB213,474.1 million, RMB719,498.7 million and RMB648,829.2 million in 2015, 2016 and 2017, respectively, to purchase investments.

Cash Flows Generated from/(Used in) Financing Activities

The Group's cash inflows from financing activities are primarily attributable to proceeds from capital contribution by equity shareholders and proceeds from issued new debt securities. The Group's proceeds from capital contribution by equity shareholders was RMB7,068.8 million, nil and nil in 2015, 2016 and 2017, respectively. The Group's proceeds from issued new debt securities was RMB17,584.3 million, RMB63,200.5 million and RMB87,725.6 million in 2015, 2016 and 2017, respectively.

The Group's cash outflows from financing activities are primarily attributable to repayment on debt securities issued and interest paid for debt securities issued. The Group's repayment on debt securities issued was RMB7,450.0 million, RMB37,330.0 million and RMB89,710.0 million in 2015, 2016 and 2017, respectively. The interest paid by the Group on debt securities issued was RMB303.3 million, RMB336.1 million and RMB447.5 million in 2015, 2016 and 2017, respectively.

LIQUIDITY

The Group funds its loans and investment portfolios principally through the Group's deposits from customers. Although a majority of the Group's deposits from customers have been short-term deposits, deposits from customers have been, and the Group believes will continue to be, a stable source of the Group's funding. Deposits from customers with remaining maturities of less than one year represented 90.8%, 86.4% and 78.9% of total deposits from customers as of December 31, 2015, 2016 and 2017, respectively. For additional information about the Group's 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".

The Group manages its liquidity by monitoring the maturities of its assets and liabilities in an effort to ensure that it has sufficient funds to meet obligations as they become due. The Group does not, nor is the Group required to, maintain cash resources to meet all the demands for cash payments, and based on its experience, a majority of the maturing deposits will be rolled over. The Group also maintains certain amounts of cash and surplus deposit reserve, as well as certain financing ability on the interbank market to meet any unexpected liquidity requirements. Please see "Risk Management — Liquidity Risk Management".

The following table sets forth, as of December 31, 2017, the remaining maturities of the Group's assets and liabilities.

	As of December 31, 2017							
	Indefinite	Repayable on demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
	(in millions of RMB)							
Assets								
Loans and advances to customers	1,364.2	4,017.3	6,201.2	8,675.4	39,305.2	35,506.8	29,699.3	124,769.4
Investments	493.5	14,900.9	5,104.5	8,384.7	17,167.9	97,250.1	45,128.1	188,429.7
Cash and deposits with the central bank	34,335.3	5,703.9	–	–	–	–	–	40,039.2
Deposits with banks and other financial institutions	–	1,552.9	65.3	200.0	–	–	–	1,818.2
Placements with banks and other financial institutions	–	–	500.0	–	–	–	–	500.0
Financial assets held under resale agreements	–	–	5,880.2	299.9	–	–	–	6,180.1
Others(1)	5,625.2	64.7	899.1	391.1	557.1	537.7	193.8	8,268.7
Total assets	**41,818.2**	**26,239.7**	**18,650.3**	**17,951.1**	**57,030.2**	**133,294.6**	**75,021.2**	**370,005.3**
Liabilities								
Deposits from customers	–	134,569.7	14,691.4	15,986.4	27,117.8	50,479.8	992.3	243,837.4
Borrowing from the central bank	–	–	4,012.8	1.5	8.0	–	–	4,022.3
Deposits from banks and other financial institutions	–	255.8	593.0	6,279.0	22,692.2	–	–	29,820.0
Placements from banks and other financial institutions	–	–	–	–	500.0	850.0	–	1,350.0
Financial assets sold under repurchase agreements	–	–	6,689.1	–	–	–	–	6,689.1
Debt securities issued	–	–	3,599.2	6,561.2	19,328.4	7,991.4	5,993.6	43,473.8
Borrowings from banks and other financial institutions	–	–	840.0	1,000.0	6,610.0	–	–	8,450.0
Others(2)	312.9	225.0	3,289.3	1,274.7	2,068.8	1,770.7	149.2	9,090.6
Total liabilities	**312.9**	**135,050.5**	**33,714.8**	**31,102.8**	**78,325.2**	**61,091.9**	**7,135.1**	**346,733.2**
Net Position	41,505.3	(108,810.8)	(15,064.5)	(13,151.7)	(21,295.0)	72,202.7	67,886.1	23,272.1

Notes:

(1) Consist primarily of interest in associates, property and equipment, deferred tax assets and other assets.

(2) Consist primarily of interest payable, accrued staff cost and other tax payable.

CAPITAL RESOURCES

Shareholders' Equity

The Group's total shareholders' equity increased from RMB19,803.2 million as of December 31, 2015 to RMB21,172.3 million as of December 31, 2016 and further to RMB23,272.1 million as of December 31, 2017 primarily due to an increase in the Group's profit. The following table sets forth the components of the changes in the Group's total equity attributable to shareholders for the periods indicated.

	Shareholders' Equity
	(in millions of RMB)
As of December 31, 2017	
Share capital	4,678.8
Capital reserve	7,631.1
Other comprehensive income	(357.4)
Surplus reserve	2,253.7
General reserve	4,700.7
Retained earnings	3,806.9
Minority interests	558.3
As of December 31, 2016	
Share capital	4,678.8
Capital reserve	7,631.1
Other comprehensive income	(32.2)
Surplus reserve	1,970.0
General reserve	3,964.1
Retained earnings	2,429.8
Minority interests	530.7
As of December 31, 2015	
Share capital	4,678.8
Capital reserve	7,631.1
Other comprehensive income	42.6
Surplus reserve	1,810.5
General reserve	2,606.8
Retained earnings	2,543.2
Minority interests	490.2
As of January 1, 2015	
Share capital	2,782.1
Capital reserve	1,190.2
Other comprehensive income	(3.8)
Surplus reserve	1,733.2
General reserve	1,958.2
Retained earnings	2,913.8
Minority interests	–

Debt

Debt Securities Issued

In 2016, the Group issued four green bonds with an aggregate nominal amount of RMB8.0 billion with maturities between three – five years and with coupon rates ranging from 3.2% to 3.7% per annum. In addition, in 2016, the Bank also exercised its redemption right and redeemed all the subordinated bonds previously issued by the Bank on December 30, 2011. For details, see "— Debt — Debt Securities Issued — Subordinated Bonds and Tier-two Capital Bonds".

As of December 31, 2017, the coupon value of the Group's debt securities issued was RMB43,473.8 million.

Subordinated Bonds and Tier-two Capital Bonds

The following are subordinated bonds and tier-two capital bonds issued by the Bank:

- The Bank issued 10-year subordinated fixed interest rate bonds with face value of RMB1.0 billion on December 30, 2011. The coupon interest rate per annum is 6.80%. The Bank had an option to redeem the bonds at the end of the fifth year and it exercised its redemption right on December 30, 2016 and redeemed a total of RMB1.0 billion subordinated bonds.

- The Bank issued 10-year fixed-rate tier-two capital bonds with face value of RMB3.0 billion on June 5, 2017. The coupon interest rate per annum is 5% and it had an option to redeem the bonds at the end of the fifth year.

- The Bank issued 10-year fixed-rate tier-two capital bonds with face value of RMB3.0 billion on September 26, 2017 respectively. The coupon interest rate per annum is 5% and it had an option to redeem the bonds at the end of the fifth year.

Other Debt Securities Issued

The following are other debt securities issued by the Bank:

- The Bank issued 5-year fixed interest rate bonds with face value of RMB2.0 billion on May 7, 2013 with a coupon interest rate per annum of 4.80%, and issued 3-year fixed interest rate bonds with face value of RMB3.0 billion on the same date with a coupon interest rate per annum of 4.64%.

- The Bank issued 3-year fixed interest rate green bond with face value of RMB3.5 billion on July 12, 2016. The coupon interest rate per annum is 3.41%.

- The Bank issued 5-year fixed interest rate green bond with face value of RMB1.5 billion on July 12, 2016. The coupon interest rate per annum is 3.70%.

- The Bank issued 3-year fixed interest rate green bond with face value of RMB1.5 billion on August 4, 2016. The coupon interest rate per annum is 3.20%.

- The Bank issued 5-year fixed interest rate green bond with face value of RMB1.5 billion on August 4, 2016. The coupon interest rate per annum is 3.48%.

Certificates of Interbank Deposit Issued

The followings are certificates of interbank deposit issued by the Bank:

- In 2015, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB17,920 million and duration between 1-12 months. The effective interest rates ranged from 2.80% to 5.20%.

- In 2016, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB56,310 million and duration between 1-12 months. The effective interest rates ranged from 2.55% to 5.49%.

- In 2017, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB83,230 million and duration between 1-12 months. The effective interest rates ranged from 3.85% to 5.40%.

Capital Adequacy

The Group is subject to capital adequacy requirements as promulgated by the CBRC. The Group shall maintain its capital adequacy ratio above the minimum level required by the CBRC during the transitional period.

The following table sets forth, as of the dates indicated, certain information relating to the Group's capital adequacy ratio, calculated in accordance with the Capital Administrative Measures and PRC GAAP.

	As of December 31,		
	2015	**2016**	**2017**
	(in millions of RMB, except percentages)		
Core tier-one capital:			
– Share capital	4,678.8	4,678.8	4,678.8
– Qualifying portion of capital reserve	7,673.7	7,598.9	7,273.7
– Surplus reserve	1,810.5	1,970.0	2,253.7
– General reserve	2,606.8	3,964.1	4,700.7
– Retained earnings	2,543.2	2,429.8	3,806.9
– Qualifying portions of non-controlling interests	490.2	530.7	558.3
Total core tier-one capital	**19,803.2**	**21,172.3**	**23,272.1**
Core tier-one capital deductions:			
– Other intangible assets other than land use rights	(38.0)	(31.2)	(41.0)
– Investment in unconsolidated subsidiaries	(116.1)	(117.2)	(129.3)
Net core tier-one capital	**19,649.1**	**21,023.9**	**23,101.8**
Net tier-one capital	**19,649.1**	**21,023.9**	**23,101.8**
Tier-two capital:			
– Instruments issued and share premium	700.0	–	6,000.0
– Surplus provision for loan impairment	1,780.4	2,032.2	2,447.3
– Qualifying portions of non-controlling interests	7.3	37.7	–
Net capital base	**22,136.8**	**23,093.8**	**31,549.1**
Total risk-weighted assets	**155,476.4**	**193,450.8**	**244,970.1**
Core tier-one capital adequacy ratio	**12.64%**	**10.87%**	**9.43%**
Tier-one capital adequacy ratio	**12.64%**	**10.87%**	**9.43%**
Capital adequacy ratio	**14.24%**	**11.94%**	**12.88%**

Notes:

(1) Includes other intangible assets excluding land use rights and deferred tax recognized for tax losses.

(2) Also referred to in this prospectus as "regulatory capital".

The Group closely monitors capital adequacy ratios to ensure compliance with regulatory requirements. The Group may take various measures to comply with the applicable regulatory capital adequacy requirements, including (i) raising capital by issuing new shares and debt securities, (ii) increasing retained earnings by continually improving profitability, and (iii) managing the growth of risk-weighted assets.

As of December 31, 2015, 2016 and 2017, the Group's core tier-one capital adequacy ratio was 12.64%, 10.87% and 9.43%, respectively, the Group's tier-one capital adequacy ratio was 12.64%, 10.87% and 9.43%, respectively, and the Group's capital adequacy ratio was 14.24%, 11.94% and 12.88%, respectively, which were all in compliance with the CBRC requirements.

OFF-BALANCE SHEET COMMITMENTS

The Group's off-balance sheet commitments consist primarily of bank acceptances, loan commitments, letters of guarantee issued and letters of credit issued. The Group issues letters of guarantee and letters of credit for its customers. The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of the dates indicated.

	As of December 31,		
	2015	2016	2017
	(in millions of RMB)		
Bank acceptances	39,602.2	21,025.4	16,178.7
Letters of credit	3,682.9	534.9	1,080.1
Credit card commitments	1,174.7	2,983.4	4,682.0
Letters of guarantee	3,422.1	2,428.0	3,239.6
Loan commitments	650.0	631.8	1,022.8
Sub-total	48,531.9	27,603.5	26,203.2
Operating lease commitments	842.4	936.5	1,088.5
Capital commitments	249.2	82.2	75.7
Total	**49,623.5**	**28,622.2**	**27,367.4**

The Group's total off-balance sheet commitments decreased from RMB49,623.5 million as of December 31, 2015 to RMB28,622.2 million as of December 31, 2016 and further decreased to RMB27,367.4 million as of December 31, 2017 primarily because the Group scaled back the Group's bank acceptance and letter of credit transactions in line with its risk management strategy.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the face value of the Group's known contractual obligations by remaining contract maturity classified into the categories specified below as of December 31, 2017. For the remaining maturities of the Group's assets and liabilities as of December 31, 2017, please see "Financial Information — Liquidity".

	As of December 31, 2017			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	(in millions of RMB)			
Certain contractual obligations on balance sheet				
Debt securities issued	1,998.8	7,991.4	5,993.6	15,984.8
Certificates of interbank deposit issued	27,489.0	–	–	27,489.0
Sub-total	29,488.7	7,991.4	5,993.6	43,473.8
Certain contractual obligations off balance sheet				
Operating lease commitments	206.3	602.1	280.1	1,088.5
Total	29,695.0	8,593.5	6,273.7	44,562.3

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group entered into transactions with certain of the Group's related parties, such as taking deposits from, extending credit facilities to, and providing other banking services to, the related parties. These transactions were conducted on normal commercial terms and in the ordinary course of the Group's business. The Bank's Directors believe that these related party transactions were carried out on an arm's-length basis and would not distort the Group's results of operations during the Track Record Period or cause such results to be not reflective of the Group's future performance. For more details, please see Note 43 to the Accountants' Report attached hereto as 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. The Group is exposed to market risk primarily through the assets and liabilities on its balance sheet, as well as its off-balance sheet commitments and guarantees. The market risks to which the Group is primarily exposed are interest rate risk and exchange rate risk.

Interest Rate Risk

The primary source of the Group's interest rate risk arises from mismatches in the maturity or repricing periods of the Group's banking book. Maturity mismatches may cause net interest income to be affected by changes in the prevailing level of interest rates. Currently, the Group primarily uses gap analysis and sensitivity analysis to assess its exposure to interest rate risks. In addition, different pricing bases for different assets and liabilities may also lead to interest rate risk for the Group's assets and liabilities within the same repricing period. The Group manages its interest rate risk exposure primarily by adjusting the maturity profile and repricing pattern of its banking book based on the Group's assessment of potential changes in the interest rate environment.

Repricing Gap Analysis

The following table sets forth, as of December 31, 2017, the results of the Group's gap analysis based on the earlier of (i) the next expected repricing dates, and (ii) the final maturity dates for the Group's assets and liabilities.

	As of December 31, 2017						
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Interest bearing sum	Non-interest bearing	Total
	(in millions of RMB)						
Assets							
Loans and advances to customers	74,887.3	35,205.0	13,527.9	1,149.2	124,769.4	–	124,769.4
Investments	45,529.6	27,649.0	83,312.1	31,445.5	187,936.2	493.5	188,429.7
Financial assets at fair value through profit or loss	10.0	307.8	168.2	101.8	587.8	–	587.8
Available-for-sale financial assets	18,085.4	6,938.9	29,095.2	5,476.3	59,595.8	10.3	59,606.1
Held-to-maturity investments	–	2,423.6	12,562.6	10,634.2	25,620.4	–	25,620.4
Investment classified as receivables	27,434.2	17,978.7	41,486.1	15,233.2	102,132.2	483.2	102,615.4
Cash and deposits with the central bank	37,068.1	–	–	–	37,068.1	2,971.1	40,039.2
Deposits with banks and other financial institutions	1,364.1	–	–	–	1,364.1	454.1	1,818.2
Placements with banks and other financial institutions	500.0	–	–	–	500.0	–	500.0
Financial assets held under resale agreements	6,180.1	–	–	–	6,180.1	–	6,180.1
Others[(1)]	–	–	54.5	–	54.5	8,214.2	8,268.7
Total assets	165,529.2	62,854.0	96,894.5	32,594.7	357,872.4	12,132.9	370,005.3
Liabilities							
Deposits from customers	164,045.8	27,117.8	50,479.8	992.3	242,635.7	1,201.7	243,837.4
Deposits from banks and other financial institutions	7,127.8	22,692.2	–	–	29,820.0	–	29,820.0
Borrowing from the central bank	4,014.3	8.0	–	–	4,022.3	–	4,022.3
Placements from banks and other financial institutions	–	500.0	850.0	–	1,350.0	–	1,350.0
Financial assets sold under repurchase agreements	6,689.1	–	–	–	6,689.1	–	6,689.1
Debt securities issued	10,160.4	19,328.4	7,991.4	5,993.6	43,473.8	–	43,473.8
Borrowings from other financial institutions	1,840.0	6,610.0	–	–	8,450.0	–	8,450.0
Others[(2)]	–	–	–	–	–	9,090.6	9,090.6
Total liabilities	193,877.4	76,256.4	59,321.2	6,985.9	336,440.9	10,292.3	346,733.2
Interest rate gap	(28,348.2)	(13,402.4)	37,573.3	25,608.8	21,431.5	1,840.6	23,272.1

Notes:

(1) Consist primarily of interest in associates, property and equipment, deferred tax assets and other assets.

(2) Consist primarily of interest payable, staff cost payable, tax payable, notes payable, provisions and other liabilities.

Sensitivity Analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. The following table sets forth, as of the dates indicated, the results of the Group's interest rate sensitivity analysis based on the Group's assets and liabilities at the same date.

	As of December 31,					
	2015		2016		2017	
	Net profit	Equity	Net profit	Equity	Net profit	Equity
	(in millions of RMB)					
+ 100 basis-point	(258.7)	(119.6)	(145.0)	(201.2)	(232.5)	(445.9)
- 100 basis-point	213.2	123.7	171.3	400.9	233.0	476.2

Based on the Group's assets and liabilities as of December 31, 2017, if interest rates increase by 100 basis points instantaneously, the Group's net profit and equity for the year ended December 31, 2017 would decrease by RMB232.5 million and RMB445.9 million, respectively. If interest rates decrease by 100 basis points instantaneously, the Group's net profit and equity for the year ended December 31, 2017 would increase by RMB233.0 million and RMB476.2 million, respectively.

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis measures only the impact of changes in the interest rates within a year, which are reflected by the repricing of the Group's assets and liabilities within a year, on its net interest income. The analysis is based on the following assumptions: (i) all assets and liabilities that are repriced or due within three months and in more than three months but within one year, as shown in the table under "— Repricing Gap Analysis", are repriced or due at the beginning of the respective periods (i.e., all the assets and liabilities that are repriced or due within three months are repriced or due immediately, and all the assets and liabilities that are repriced or due in more than three months but within one year are repriced or 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, and all positions will be retained and rolled over upon maturity. Actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Exchange Rate Risk

Exchange rate risk refers to risk caused by the adverse impact on the banks' foreign currency position and cash flow as a result of the exchange rate fluctuations of their primary foreign currency. The Group's primary principle for controlling the Group's exchange rate risk is to match asset and liability denominated in every currency and conduct monitoring over the Group's foreign currency exposure on a daily basis. Based on the relevant regulatory requirements and the Group's management judgments on the current situation, the Group seeks to control its exposure to exchange rate risk through reasonably arranging its sources and use of funds denominated in foreign currencies and minimizing its mismatches of assets and liabilities in different currencies.

During the Track Record Period, the Group's businesses were principally conducted in RMB and most of the Group's monetary assets and liabilities were denominated in RMB. Accordingly, the Bank's Directors believe that the Group's exposure to foreign currency risk was not significant during the Track Record Period.

	As of December 31,		
	2015	2016	2017
	(in millions of RMB)		
1% appreciation	0.8	0.3	3.4
1% depreciation	(0.8)	(0.3)	(3.4)

CAPITAL EXPENDITURES

The Group's capital expenditures for 2015, 2016 and 2017 were primarily for the increase of fixed assets and intangible assets.

The Group's capital expenditures amounted to RMB1,049.0 million, RMB448.3 million and RMB537.3 million for 2015, 2016 and 2017, respectively. As of December 31, 2017, the Group had authorized capital commitments of RMB75.7 million, all of which were contracted for. The foregoing amounts and purposes may change depending on business conditions.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies described in Note 2 of the Accountants' Reports attached hereto as 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. During the Track Record Period, the Group consistently adopted these accounting estimates and judgments, and the Group currently does not expect any significant changes to these estimates in the foreseeable future.

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.

The followings are the critical judgments and key estimation uncertainty that the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next twelve months. See also Note 2 to the Accountants' Reports as set out in Appendix I of this prospectus.

In July 2014, the IASB issued the final version of IFRS 9-Financial Instruments, which became effective during the year commencing on or after January 1, 2018, and early adoption was allowed. IFRS 9 replaced IAS 39-Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued early repayment features and negative compensation (revised version of IFRS 9), which became effective during the year commencing on or after January 1, 2019, and early adoption was allowed.

On January 1, 2018, the Group will initially adopt IFRS 9 issued in July 2014 and adopt the revised version of IFRS 9 early on the same date. Based on the test results dated December 31, 2017, upon adoption of IFRS 9, the estimated total adjustment amount of balance (after taxation) at the beginning of the equity period on January 1, 2018 will be approximately RMB360.1 million, that is:

- decreased approximately RMB392.8 million for impairment requirements;
- decreased approximately RMB140.9 million for classification and measurement requirements (other than impairment requirements); and
- increased approximately RMB173.6 million for the impacts of deferred tax.

The above assessments are still preliminary assessments as the transformations have not yet been completed fully. The actual impacts of adoption of IFRS 9 on January 1, 2018 may change, attributable to:

- the IFRS 9 will require the Group amend its accounting procedures and internal control measures and the changes have not yet been completed;
- although the combination measures for branches or sub-branches have been implemented in the second half of 2017, however, the new system and the related appropriate control measures have not been adopted for a longer period of time;
- the Group has not completed the test and assessment on the governance framework which control new IT system and changes;
- the Group is improving and completing its ECL calculating model; and
- Before the Group completed its first batch of financial statements which contained the first application date, the new accounting policies, assumptions, judgments and valuation techniques adopted may change.

Subsidiaries and Non-controlling Interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

Segment Reporting

The Group identifies its operating segments and the amounts of each segment item reported in the Financial Information from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

The Group does not aggregate individually material operating segments for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. The Group may aggregate operating segments which are not individually material if they share a majority of these criteria.

Provision for Impairment on Loans and Advances to Customers

The Group periodically reviews its loan portfolios to assess impairment loss except for the loans that are individually assessed for impairment losses if impairment losses are identified for such loans. In determining whether provisions of impairment on loans should be recognized, the Group makes judgments as to whether there is any evidence indicating a measurable decrease in the estimated future cash flows from a loan portfolio if no decrease in future cash flows has been found for any individual loan in such loan portfolio. The evidence of impairment resulting in the decrease in estimated cash flows includes deterioration in repayment abilities of borrowers in the loan portfolio, or defaults by borrowers in the loan portfolio due to the adverse changes in the macroeconomic conditions that correlate with borrowers' repayment abilities. The Group makes impairment estimates based on the historical loss experience for a group of assets with similar credit risk characteristics for the loan portfolio that has indicated evidence of impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair Value of Financial Instruments

The Group determines the fair value of financial instruments that are quoted in an active market through market inquiry. It uses valuation techniques to determine the fair value of financial instruments that are not quoted in an active market. These valuation techniques include uses of recent transaction prices, observable prices of similar financial instruments, discounted cash flows analysis with risk adjusted, as well as pricing models that are commonly used in the market. To the extent practical, valuation models for other financial instruments use observable market data, such as interest yield curves and foreign exchange rates. Fair values calculated through valuation techniques are verified based on the industry practice and currently observable prices of same or similar financial instruments in the market.

The Group, through regular review and approval procedures, reviews the assumptions and market expectations used by the valuation techniques, including examining the assumptions and pricing factors of models, changes in assumptions of models, nature of market parameters, activeness of the market, factors for adjusting fair values which are not covered by models, and the consistency of valuation techniques between periods. Valuation techniques are regularly reviewed through tests of their effectiveness and updated to reflect the market conditions at the balance sheet date where appropriate.

Classification of Held-to-Maturity Investments

The Group classifies certain non-derivative financial assets with fixed or determinable repayment amount and fixed maturity as held-to-maturity investments at the initial recognition. This classification requires significant judgments, and in making these judgments, the Group evaluates the Group's intention and ability to hold such investments to maturity. If there is any change in the Group's intention and ability to hold such investments to maturity, the entire held-to-maturity investment portfolio will be reclassified as available-for-sale financial assets.

Impairment on Non-Financial Assets

The Group regularly reviews the impairment of non-financial assets. If there is any indication that the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset.

Income Tax

In the ordinary course of the Group's business, there are certain transactions and activities for which the ultimate tax treatments have uncertainties. In accordance with the current tax laws and regulations as well as the policies applied to the Bank by government authorities in previous years, the Group makes tax estimates on the implementation of new tax laws and regulations as well as events involving uncertainties in tax treatment. In calculating the Group's income tax liabilities, the Group makes significant judgments. Where the final outcome of such tax matters is different from the amounts initially recorded, such difference will affect the current income tax and deferred income tax provisions in the period during which such a determination is made.

Impact of Future Accounting Policy Changes

The Group currently assesses the impairment of the Group's loans and investment assets under IAS 39. The IASB, which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments from time to time, which will replace the accounting standards relating to classification, measurement and de-recognition of financial assets and financial liabilities under IAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. These standards will take effect on 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 the Bank to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as "amortized cost" or "fair value through other comprehensive income" under IFRS 9, the Group will be required to apply a new expected credit loss impairment model under IFRS 9, which, as compared to the incurred loss model in IAS 39, uses more forward-looking information instead of an objective evidence of impairment as a precondition for recognizing credit losses. In particular, calculation of impairment of financial instruments on an expected credit loss basis will result in an earlier recognition of, and may result in an increase in, impairment allowances. For details about the differences between IFRS 9 and IAS 39, see Note 2 to the Group's historical financial information set forth in the Accountant's Reports attached hereto as Appendix I to this prospectus.

The Group is analyzing its business models, loans and other financial instruments' contract terms and changes to the Group's existing credit exposures to assess the potential impact on the Group's financial statements resulting from the adoption of IFRS 9. Given the nature of the Group's operations, it is expected to have an impact on the classification of financial instruments as well as the calculation, amount and timing of its allowances for impairment losses for financial assets. Implementation of IFRS 9 will also have an impact on the risk management organization, process and key functions, budgeting and performance review, as well as the IT systems. The Group is starting to carry out an assessment of the need for any system modification related to the expected credit loss model, updating financial instruments impairment policies and procedures as well as launching relevant staff training.

The Group will change its current impairment provisioning practice in the future in accordance with IFRS 9 and any authoritative interpretive guidance on its application. It is expected that the implementation of the expected credit loss model will have an impact on the calculation, amount and timing of the allowance for impairment losses. For details, see "Risk Factors — Risks Relating to the PRC Banking Industry — Changes in accounting standards or policies may materially affect the Group's financial condition and results of operations".

For other new accounting standards that come into effect after the prospectus date, see Note 2 to the Group's historical financial information set forth in the Accountant's Reports attached hereto as Appendix I to this prospectus. The Group may put in place necessary changes to comply with the new standards from time to time.

INDEBTEDNESS

As of April 30, 2018 (being the date for the purpose of this indebtedness statement, before this document is printed), the Group has the following indebtedness:

- certificates of interbank deposit in an aggregate principal amount of RMB41,190.0 million;
- tier-two capital bonds in an aggregate principal amount of total of RMB6,000.0 million;
- financial bonds in an aggregate principal amount of total of RMB10,000.0 million;
- deposits from customers, borrowing from the central bank, deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements that arose from the normal course of the Group's banking business; and
- loan commitments, acceptances, letters of credit and letters of guarantee issued, other commitments and contingencies that arose from the normal course of banking business carried out by the Group.

Except as disclosed above, the Group did not have, as of April 30, 2018, any 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.

The Bank's Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Group's Bank since April 30, 2018 and up to the Latest Practicable Date.

RULE 13.13 TO RULE 13.19 OF THE LISTING RULES

The Group confirms that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIVIDENDS

The Bank's Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. The Bank currently does not have a fixed dividend payout ratio. As of the Latest Practicable Date, Shareholders of the Bank have not approved any policy in respect of dividend distribution for fiscal year 2018 or afterwards.

The determination of whether to pay dividends and the amount of such dividends is based on the Group's results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by the Group and other factors that the Bank's Board of Directors considers relevant. Subject to the Bank's Articles of Association and laws and regulations on profit distribution by banks, the Bank's Board of Directors will recommend dividend payments to the Bank's Shareholders' general meetings. As approved by the Bank's Shareholders' general meeting, the Bank's current and new shareholders are both entitled to the cumulated retained earnings prior to the Listing. Under the PRC Company Law and the Bank's Articles of Association, all of the Bank's Shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Pursuant to PRC laws and the Bank's Articles of Association, the Group shall distribute dividends from its distributable profits in accordance with the PRC GAAP or IFRS (or the accounting standards of the overseas jurisdictions where the Group's Shares are listed), whichever is lower.

Under PRC laws and the Bank's Articles of Association, the Bank may only pay dividends out of its distributable profit. The Group's distributable profit represents the lowest of (i) its consolidated net profit attributable to its equity holders for a 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 the Group 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) the Group's consolidated net profit attributable to the Group's 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 the Group's 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 the Group are required to make to the statutory surplus reserve, which is currently 10% of the unconsolidated net profit of the Group's Bank as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of the Group's registered capital;
- a general reserve the Group is required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders in an annual general meeting.

Under relevant MOF regulations, the Group is required to maintain a general reserve no less than 1.5% of the balance of the Group's risk-bearing assets from the Group's net profits after tax. This general reserve constitutes part of the Group's reserves. As of December 31, 2017, the balance of the Group's general reserve amounted to RMB4,700.7 million, which was all 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 the Group does not pay any dividends in a year in which the Group does not have any distributable profit in respect of that year. The payment of any dividends by the Bank must also be approved at a shareholders' general meeting. The Group is prohibited from making any profit distributions to the Bank's Shareholders before recovering the Group's accumulated losses and making appropriations to the statutory surplus reserve, the general reserve, and any discretionary surplus reserve as approved by the Bank's Shareholders' general meeting. If the Group makes any profit distributions in violation of these rules, the Bank's Shareholders are required to return the amounts they received in such profit distributions to the Bank.

The CBIRC has the 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. As of December 31, 2017, the Group had a capital adequacy ratio of 12.88%, a tier-one capital adequacy ratio of 9.43% and a core tier-one capital adequacy ratio of 9.43%, which were all in compliance with the relevant CBRC regulations. Please see "Supervision and Regulation — Supervision of Capital Adequacy Level — Regulatory Requirements in Respect of Capital Adequacy Ratios" and "Supervision and Regulation — Principal Regulators — CBRC — Examination and Supervision".

Declared but unpaid dividends, namely (i) dividends payable to shareholders that the Group was unable to contact, (ii) dividends payable to shareholders who did not timely claim the dividends, and (iii) dividends that are frozen according to the court judgment, are recorded as "dividend payable" under "other liabilities" on the Group's financial statements. The Group intend to make payment of such declared but undistributed dividends after locating relevant shareholders using the Group's internal funds, according to the relevant PRC laws and regulations. The Bank had distribute dividends of RMB233.9 million for the year ended December 31, 2015.

On April 20, 2017, the Bank's Shareholders approved and passed the resolution in respect of the dividends for the year ended December 31, 2016 in Shareholders General Meeting and the Board had since declared and distributed dividends of RMB467.9 million in respect of the year ended December 31, 2016.

For the avoidance of doubt, as of the Latest Practicable Date, the Bank's declared but unpaid dividends amounted to RMB15.7 million, mainly comprising, (i) dividends payable to shareholders that the Bank was unable to contact; and (ii) dividends payable to shareholders who did not timely claim the dividends. Please also see Note 35 to the Accountants' Report attached as Appendix I to this prospectus for further details.

In addition, on March 26, 2018, the Bank's Shareholders approved the resolution in respect of the dividends for the year ended December 31, 2017 in Shareholders Annual General Meeting and declared cash dividends in an aggregation amount of RMB467.9 million to all existing shareholders on record on December 31, 2017. Such dividends have been fully paid up on April 12, 2018 with the Group's internal funds.

Dividends paid in prior periods may not be indicative of future dividend payments. The Group cannot guarantee when, if and in what form or size dividends will be paid in the future.

LISTING EXPENSES

The listing expenses to be borne by the Group are estimated to be approximately RMB174.8 million (equivalent to approximately HK$213.8 million). During the Track Record Period, the Group had incurred RMB9.6 million listing expenses, among which, approximately RMB0.2 million was charged to the Group's statement of profit or loss and other comprehensive income as of December 31, 2017. After December 31, 2017, listing expenses of RMB18.6 million is expected to be charged to the Group's income statement and RMB156.0 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. The Bank's Directors do not expect such listing expenses to have a material adverse impact on the Group's results of operations for the year ending December 31, 2018.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the Group's consolidated net tangible assets attributable to the Bank's Shareholders as of December 31, 2017 derived from the Group's financial information as of December 31, 2017 as set out in the Accountants' Report set forth in Appendix I attached to this prospectus, adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared based on the financial information of the Bank as of December 31, 2017 as set out in the Accountants' Report in Appendix I to this prospectus, to show the effect on the Group's net tangible assets as of December 31, 2017 as if the Global Offering had occurred on December 31, 2017. The unaudited pro forma adjusted consolidated net tangible assets per share are calculated in accordance with Rule 4.29 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, as a result, may not be an accurate reflection of the Group's consolidated net tangible assets attributable to the Shareholders of the Bank.

	Consolidated net tangible assets attributable to Shareholders of the Bank as of December 31, 2017	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Bank	Pro forma adjusted consolidated net tangible assets per share	
	RMB Million (Note (1))	RMB Million (Note (2) & (5))	RMB Million (Note (3))	RMB (Note (4))	HK$ (Note (5))
Based on an offer price of HK$5.94 per share	22,672.9	5,514.3	28,187.2	4.82	5.90
Based on an offer price of HK$6.66 per share	22,672.9	6,189.2	28,862.1	4.93	6.03

Notes:

(1) The consolidated net tangible assets attributable to Shareholders of the Bank as of December 31, 2017 are based on the consolidated net assets attributable to shareholders of the Bank of RMB22,713.7 million after (i) deduction of intangible assets of RMB41.0 million; and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB0.2 million.

(2) The estimated net proceeds from the Global Offering for the purpose of unaudited pro forma adjusted consolidated net tangible assets are based on the Offer Price of HK$5.94 per H Share (being the low-end of the proposed Offer Price range) and HK$6.66 per H Share (being the high-end of the proposed Offer Price range) and assumed that the underwriting fees and other related listing expenses payable by the Bank (excluding listing expenses of RMB0.2 million which have already been charged to consolidated statement of profit or loss during the Track Record Period) have been deducted, and that the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Bank do not take into account the financial results or other transactions of the Group subsequent to December 31, 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Bank per share is arrived after the adjustments referred to in the preceding paragraphs and on the basis of the above adjustments and 5,848,776,901 shares are expected in issue assuming that the Global Offering has been completed on December 31, 2017 and that the Over-allotment Option is not exercised.

(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per share are translated into or from Renminbi at the rate of RMB0.8176 to HK$1.00, the exchange rate set by the PBoC prevailing on June 5, 2018. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rate.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

The Bank's Directors confirm that there has been no material adverse change in the Group's financial or trading position since December 31, 2017 to the date of this prospectus.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of Part A of Appendix 1A of the Listing Rules require this document to include a statement by the Bank's directors that, in their opinion, the working capital available to the Bank is sufficient for at least 12 months from the publication of this document or, if not, how it is proposed to provide the additional working capital the Bank's directors consider to be necessary. The Bank is of the view that the traditional concept of "working capital" does not apply to banking businesses such as the Bank. The Group is regulated in the PRC by, among others, the PBoC and the CBIRC. 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 the Group is not required to include a working capital statement from the Bank's Directors in this document.

FUTURE PLANS

See "Business – The Group's Development Strategies" in this prospectus for a detailed description of the Group's future plans.

USE OF PROCEEDS

The Bank intends to use the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by the Bank in relation to the Global Offering) to strengthen the Bank's capital base to support the ongoing growth of the Group's business.

Assuming an Offer Price of HK$5.94, being the low-end of the proposed Offer Price range, it is estimated that the net proceeds of the Global Offering accruing to the Bank (after deduction of underwriting commissions and estimated expenses payable by the Bank in relation to the Global Offering) to be approximately HK$6,744.5 million, if the Over-allotment Option is not exercised; or approximately HK$7,766.1 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$6.30, being the mid-point of the proposed Offer Price range of HK$5.94 to HK$6.66, it is estimated that the net proceeds of the Global Offering accruing to the Bank (after deduction of underwriting commissions and estimated expenses payable by the Bank in relation to the Global Offering) to be approximately HK$7,157.2 million, if the Over-allotment Option is not exercised; or to be approximately HK$8,240.7 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$6.66, being the high-end of the proposed Offer Price range, it is estimated that the net proceeds of the Global Offering accruing to the Bank (after deduction of underwriting commissions and estimated expenses payable by the Bank in relation to the Global Offering) to be approximately HK$7,569.9 million, if the Over-allotment Option is not exercised; or to be approximately HK$8,715.4 million, if the Over-allotment Option is exercised in full.

THE CORNERSTONE PLACING

The Bank has entered into cornerstone investment agreements with certain investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 500 H Shares) that may be purchased for in an aggregate amount of approximately US$491.45 million (approximately HK$3,855.61 million[(1)]) at the Offer Price (the "**Cornerstone Placing**").

Based on the Offer Price of HK$5.94 (being the low-end of the proposed Offer Price range), the total number of H Shares to be subscribed by the Cornerstone Investors would be 649,091,500, representing approximately (i) 59.98% of the International Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 51.61% of the International Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 55.48% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 48.24% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 11.10% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 10.77% of the Shares in issue upon completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Based on the Offer Price of HK$6.30 (being the mid-point of the proposed Offer Price range), the total number of H Shares to be subscribed by the Cornerstone Investors would be 612,000,500, representing approximately (i) 56.55% of the International Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 48.66% of the International Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 52.31% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 45.48% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 10.46% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 10.16% of the Shares in issue upon completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Based on the Offer Price of HK$6.66 (being the high-end of the proposed Offer Price range), the total number of H Shares to be subscribed by the Cornerstone Investors would be 578,919,000, representing approximately (i) 53.49% of the International Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 46.03% of the International Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 49.48% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 43.03% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 9.90% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 9.61% of the Shares in issue upon completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

To the best knowledge of the Bank, each of the Cornerstone Investors and their respective ultimate beneficial owners is independent of each other, independent of the Bank, its connected persons and their respective associates, and not an existing shareholder or close associates of the Bank.

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 June 25, 2018.

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 pursuant to the respective cornerstone investment agreements). Immediately following completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in the Bank, nor will any of the Cornerstone Investors become a substantial Shareholder (as defined in the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors may be adjusted by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering – The Hong Kong Public Offering".

Note:

(1) Calculated based on an exchange rate of US$1:HK$7.8454 as described in "Information about this Prospectus and the Global Offering – Exchange Rate Conversion" in this prospectus. The actual investment amount of each Cornerstone Investor may change due to the actual exchange rate to be used as prescribed in the relevant cornerstone investment agreement.

CORNERSTONE INVESTORS

The Bank has entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

Cornerstone Investor	Investment Amount	Indicative Offer Price[2]	Number of H Shares to be subscribed for	Approximate percentage of the International Offer Shares (assuming that Over-allotment Option is not exercised)	Approximate percentage of the International Offer Shares (assuming that Over-allotment Option is exercised in full)	Approximate percentages of the Offer Shares (assuming that Over-allotment Option is not exercised)	Approximate percentages of the Offer Shares (assuming that Over-allotment Option is exercised in full)	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that Over-allotment Option is not exercised)	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)
Yango Investment Limited	HK$1,400 million	HK$5.94	235,690,000	21.78%	18.74%	20.14%	17.52%	4.03%	3.91%
		HK$6.30	222,222,000	20.53%	17.67%	18.99%	16.52%	3.80%	3.69%
		HK$6.66	210,210,000	19.42%	16.71%	17.97%	15.62%	3.59%	3.49%
Road Shine Developments Limited	US$115 million (approximately HK$902.22 million[1])	HK$5.94	151,889,000	14.03%	12.08%	12.98%	11.29%	2.60%	2.52%
		HK$6.30	143,209,500	13.23%	11.39%	12.24%	10.64%	2.45%	2.38%
		HK$6.66	135,468,500	12.52%	10.77%	11.58%	10.07%	2.32%	2.25%
Sinolending Fintech Company Limited	US$100 million (approximately HK$784.54 million[1])	HK$5.94	132,077,000	12.20%	10.50%	11.29%	9.82%	2.26%	2.19%
		HK$6.30	124,530,000	11.51%	9.90%	10.64%	9.26%	2.13%	2.07%
		HK$6.66	117,798,500	10.88%	9.37%	10.07%	8.75%	2.01%	1.96%
Zhonghua Financial Holdings Limited	US$50 million (approximately HK$392.27 million[1])	HK$5.94	66,038,500	6.10%	5.25%	5.64%	4.91%	1.13%	1.10%
		HK$6.30	62,265,000	5.75%	4.95%	5.32%	4.63%	1.06%	1.03%
		HK$6.66	58,899,000	5.44%	4.68%	5.03%	4.38%	1.01%	0.98%
FTLife Insurance Company Limited	US$48 million (approximately HK$376.58 million[1])	HK$5.94	63,397,000	5.86%	5.04%	5.42%	4.71%	1.08%	1.05%
		HK$6.30	59,774,000	5.52%	4.75%	5.11%	4.44%	1.02%	0.99%
		HK$6.66	56,543,000	5.22%	4.50%	4.83%	4.20%	0.97%	0.94%

Notes:

(1) Calculated based on the exchange rate of US$1:HK$7.8454 as described in "Information about this Prospectus and the Global Offering – Exchange Rate Conversion" in this prospectus. The actual investment amount of each Cornerstone Investor may change due to the actual exchange rate to be used as prescribed in the relevant cornerstone investment agreement.

(2) Being the low-end, mid-point and high-end of the proposed Offer Price range set out in this prospectus respectively.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

1. Yango Investment Limited

Yango Investment Limited, a company incorporated in the British Virgin Islands, is an investment holding company wholly-owned by Yango (HK) Investment Limited, which is ultimately owned by Ms. Wu Jie (吳潔), Mr. Lin Tengjiao (林騰蛟) and Ms. Lin Xueying (林雪鶯).

Yango Investment Limited may obtain external financing by entering into a loan facility with China Industrial Securities International Brokerage Limited (the "**China Industrial Lender**") to finance its subscription of the Offer Shares. The loan, if obtained, will be on normal commercial terms after arm's length negotiations with no other direct or indirect benefits given by the China Industrial Lender. All or some of the Offer Shares to be subscribed for by Yango Investment Limited may be charged to the China Industrial Lender as security for the loan facility. Under the financing arrangement, upon the occurrence of certain customary events of default, Yango Investment Limited will be required to repay the loan before its maturity. The China Industrial Lender therefore has the right to enforce the security interest in the Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default. Yango Investment Limited agrees and undertakes to the Bank to procure the China Industrial Lender, and the China Industrial Lender also agrees and undertakes to the Bank, not to dispose of the collateral shares under the financing arrangement (as the case may be) at any time during the period of six months following the Listing Date.

2. Road Shine Developments Limited

Road Shine Developments Limited ("**Road Shine**") is a company incorporated in the British Virgin Islands. It is an investment holding company wholly-owned by Guoan (HK) Holdings Limited.

Road Shine holds approximately 53.22% of the issued share capital of Guoan International Limited (SEHK stock code: 0143) (SGX stock code: G11). Road Shine is also a shareholder of Munsun Capital Group Limited (SEHK stock code: 1194) and Alibaba Health Information Technology (SEHK stock code: 0241).

Guoan (HK) Holdings Limited is wholly-owned by CITIC Guoan Group Co., Ltd. (中信國安集團有限公司) ("**Guoan Group**"), whose single largest shareholder is CITIC Group Corporation (中國中信集團有限公司). As of December 31, 2017, the total asset of Guoan Group is RMB214.3 billion. Guoan Group is a member enterprise of APEC China Enterprise's Assembly.

Road Shine may obtain external financing by entering into a loan facility with ICBC International Securities Limited (the "**ICBC Lender**") to finance its subscription of the Offer Shares. The loan, if obtained, will be on normal commercial terms after arm's length negotiations with no other direct or indirect benefits given by the ICBC Lender. All or some of the Offer Shares to be subscribed for by Road Shine may be charged to the ICBC Lender as security for the loan facility. Under the financing arrangement, upon the occurrence of certain customary events of default, Road Shine will be required to repay the loan before its maturity. The ICBC Lender therefore has the right to enforce the security interest in the Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default. In addition, the rights and benefits of the Investor under the relevant cornerstone investment agreement may be transferred to the ICBC Lender, provided the ICBC Lender shall not enforce such transferred rights during the six months following the Listing Date. Road Shine agrees and undertakes to the Bank to procure the ICBC Lender, and the ICBC Lender also agrees and undertakes to the Bank, not to dispose of the collateral shares under the financing arrangement (as the case may be) at any time during the period of six months following the Listing Date.

3. Sinolending Fintech Company Limited

Sinolending Fintech Company Limited ("**Sinolending**"), a company incorporated in the Cayman Islands, is an investment holding company wholly-owned by Sinolending Fintech Group Limited ("**Sinolending Group**"). Sinolending Group is a strategic investment partner of Shanghai Dianrong Financial Information Services Co., Ltd. ("上海點榮金融信息服務有限責任公司", also known as "Dianrong"), and focuses on investments into the upstream and downstream opportunities surrounding the growth and development of Dianrong. Dianrong offers small businesses and individuals an internet platform www.dianrong.com to provide financial information and services supported by technology. Dianrong was also named in 2016 to the executive directorship of the National Internet Finance Association of China led by the People's Bank of China.

4. ZhongHua Financial Holdings Limited

ZhongHua Financial Holdings Limited ("**ZhongHua Financial**") was incorporated in Hong Kong. It is principally engaged in providing cross-border financial services, including securities transaction, enterprise merger & acquisition, offshore initial public offering, cross-border trade investment, financial asset management, investment management and relevant consulting services.

The subsidiaries of Zhonghua Financial include Chung Lee Securities Company Limited (眾利股票有限公司) (SFC CE No.AGR826), ZhongHua Finance Asset Management Co., Limited (SFC CE No.AWD972), Zhonghua Finance Capital Co., Limited (SFC CE No.AEM480) and ZhongHua Finance Group Limited (中華財務集團有限公司) (MLR No. 1763/2017).

ZhongHua Financial may obtain external financing by entering into a loan facility with Essence International Securities (Hong Kong) Limited (the "**EIS Lender**"), one of the Hong Kong Underwriters, to finance its subscription of the Offer Shares. The loan, if obtained, will be on normal commercial terms after arm's length negotiations with no other direct or indirect benefits given by the EIS Lender. All or some of the Offer Shares to be subscribed for by ZhongHua Financial may be charged to the EIS Lender as security for the loan facility. Under the financing arrangement, upon the occurrence of certain customary events of default, ZhongHua Financial will be required to repay the loan before its maturity. The EIS Lender therefore has the right to enforce the security interest in the Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default. ZhongHua Financial agrees and undertakes to the Bank to procure the EIS Lender, and the EIS Lender also agrees and undertakes to the Bank, not to dispose of the collateral shares under the financing arrangement (as the case may be) at any time during the period of six months following the Listing Date.

5. FTLife Insurance Company Limited

FTLife Insurance Company Limited ("**FTLife Insurance**"), formerly known as Ageas Insurance Company (Asia) Limited, is a company incorporated in Bermuda. FTLife Insurance is principally engaged in life insurance business, providing comprehensive array of life insurance products.

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 Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or 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 not having been revoked.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, save for the charge of all or some of the Offer Shares by the Cornerstone Investors as disclosed above, 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 starting from and inclusive of the Listing Date, (a) dispose of (as defined in the relevant cornerstone investment agreement) any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary or jointly controlled entity of such Cornerstone Investor provided that, amongst other requirements, such wholly-owned subsidiary or jointly controlled entity undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary or jointly controlled entity will, abide by such restrictions imposed on the Cornerstone Investor, (b) allow itself to undergo a change of control (as defined in the Hong Kong Takeovers Code) at the level of its ultimate beneficial owner, or (c) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

HONG KONG UNDERWRITERS

CCB International Capital Limited

CLSA Limited

AMTD Global Markets Limited

Essence International Securities (Hong Kong) Limited

CMB International Capital Limited

ICBC International Securities Limited

CEB International Capital Corporation Limited

Haitong International Securities Company Limited

China Industrial Securities International Capital Limited

SPDB International Capital Limited

Changjiang Securities Brokerage (HK) Limited

Head & Shoulders Securities Limited

Sinomax Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Bank is offering initially 87,750,000 Hong Kong Offer Shares (subject to re-allotment) 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 Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering (including any additional H Shares which may be issued or sold 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 the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by notice from the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors if, at any time prior to 8:00 a.m. on the Listing Date:

(1) there shall develop, occur, exist or come into force:

(i) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal, regulatory, currency, credit or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, the inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or a change of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the United States, Japan, Singapore, the United Kingdom or the European Union (or any member thereof), or any other jurisdiction relevant to any member of the Group or the Global Offering (together, the "**Relevant Jurisdictions**"); or

(ii) any new law or regulation or any change or development involving a prospective change or any event or circumstance likely to result in a change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) any local, national, regional or international event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, acts of God, epidemic, pandemic (including without limitation SARS, MERS, H5N1, H1N1, swine or such related/mutated forms) in or affecting any of the Relevant Jurisdictions, or without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(iv) (A) any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; (B) any moratorium, suspension or limitation (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 the Bank listed or quoted on a stock exchange or an over-the-counter market or (C) any general moratorium on commercial banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services in those places or jurisdictions; or

(v) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(vi) the issue or requirement to issue by the Bank of a supplement or amendment to the prospectus or to any other documents used in connection with the Global Offering pursuant to the Companies Ordinance or 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

(vii) the chairman of the Board or president vacating his office, any Director or any Supervisor being charged with an indictable offence or prohibited by operation of Law (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management of a company; or

(viii) any litigation or claim instigated or being threatened against any member of the Group, Director or Supervisor; or

(ix) an order or petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(x) any body, authority or agency of, any government of any relevant state or territory (including political and regulatory subdivisions), and includes central, provincial, municipal and other local or regional governments, and any court at the central, provincial, municipal, local or regional level in any Relevant Jurisdiction is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group, Director or Supervisor; or

(xi) a demand by any creditor for repayment or payment of any of the Bank's indebtedness or those of any of its subsidiaries or in respect of which the Bank or any of its subsidiaries is liable prior to its stated maturity; or

(xii) the imposition of economic sanctions, or withdrawal of trading privileges in whatever form, directly or indirectly, by, or on, any Relevant Jurisdiction; or

(xiii) any change or prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors"; or

(xiv) any prohibition on the Bank for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the shares issued and allotted pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xv) any contravention by any member of the Group, Director or Supervisor of the Listing Rules or applicable laws, and which, in any of 1(i) to (xv) above, individually or in aggregate, in the sole opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

(A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, prospects, management, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(B) has or will or may have material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(C) has or will or may have a material adverse effect on the level of applications under the Hong Kong Public Offering; or

(D) make, will or may make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering, or the delivery of H Shares on terms and in the manner contemplated by the Hong Kong Public Offering Documents or Preliminary Offering Circular or the Final Offering Circular (each as defined in the Hong Kong Underwriting Agreement); or

(E) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) any of the following shall have come to the notice of any of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement), and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto was, when it was issued, or has become untrue, incorrect, inaccurate or misleading in any material respect; or

(ii) that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) was, when it was issued, or has become unfair or dishonest or based on unreasonable assumptions, when taken as a whole; or

(iii) 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 a material omission therefrom; or

(iv) either (A) there has been a material breach of, any of the representations, warranties, obligations, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Bank or (B) any of the representations, warranties, obligations and undertakings given by the Bank in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete in any material respect or misleading; or

(v) any event, act or omission which gives rise or is likely to give rise to any liability of the Bank pursuant to the indemnities in the Hong Kong Underwriting Agreement; or

(vi) any material breach of any of the obligations imposed upon on the Bank under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(vii) any material adverse change or any material development or any prospective material adverse change or development, in the condition (financial or otherwise) or 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 the Group as a whole; or

(viii) the Bank withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or

(ix) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(x) admission into CCASS is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, such admission into CCASS is subsequently withdrawn, cancelled, qualified (other than by customary conditions) revoked or withheld; or

(xi) any expert defined in this prospectus (other than any of the Joint Sponsors) has withdrawn its consent to being named in any of the Global Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Global Offering Documents (as defined in the Hong Kong Underwriting Agreement).

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by Our Bank

Pursuant to Rule 10.08 of the Listing Rules, the Bank has undertaken to the Hong Kong Stock Exchange that the Bank 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

The Bank has, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that, except pursuant to the Global Offering (including the Over-allotment Option), or with the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, it shall not, during a period of six months from the Listing Date (the "**First Six-Month Period**") and whether conditionally or unconditionally:

(i) allot, issue, offer, sell, contract to sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, pledge, grant or sell any option, warrant or right to subscribe for or purchase, contract to purchase, or create any interests or encumbrance in respect of, transfer or otherwise dispose of, directly or indirectly, any H Shares or any equity securities of the Bank or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares); or

(ii) enter into a transaction or an arrangement (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any of the economic consequences of ownership of any H Shares, any other equity securities of the Bank or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii); or

(iv) offer or agree or announce any intention to do any of the foregoing,

in each case, whether any of the foregoing transactions is to be settled by delivery of H Shares or such other equity securities of the Bank, or in cash or otherwise (whether or not the issue of the H Shares or such other securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to the issue of H Shares by the Bank pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Bank entered into any of the transactions specified in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Bank shall take all reasonable steps to ensure that such transaction, agreement or, as the case may be, such announcement will not create a disorderly or false market in the securities of the Bank.

Indemnity

The Bank has agreed to indemnify the Joint Sponsors, the Joint Representatives, 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 the Bank of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in Our Bank

Except for its obligations under the Hong Kong Underwriting Agreement, 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 H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that the Bank will enter into the International Underwriting Agreement with the International Underwriters and the Joint Representatives. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters 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.

Over-allotment Option

Our Bank expects to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives on behalf of the International Underwriters, until 30 days after the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require our Bank to issue and allot up to an aggregate of 175,500,000 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% of the aggregate Offer Price of all the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. In addition, the Bank agrees to pay to the Joint Representatives (on behalf of the Hong Kong Underwriters) an incentive fee.

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 Representatives and the relevant International Underwriters.

The aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fees, SFC transaction levy and the 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$213.8 million (assuming an Offer Price of HK$6.30 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

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers of the H Shares in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and short positions in the H Shares, securities or baskets including indices, units of funds that may purchase the H Shares, or derivatives related to any of the foregoing.

In relation to the issuance by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases. All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the shares, the liquidity or trading volume in the shares and the volatility of the price of the shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels higher than those which might otherwise prevail in the open market or other markets; and

- all of them must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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 87,750,000 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 1,082,250,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 20% 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 22.33% of the enlarged issued share capital of our Bank immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed "– The International Offering – Over-allotment Option" below.

Our Bank has obtained the requisite PRC Governmental approvals, including the approval of the CSRC, in respect of the Global Offering.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The International Underwriters 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 headed "– The Hong Kong Public Offering – Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

The Bank is initially offering 87,750,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 7.5% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.5% 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).

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraph headed "– Conditions of the Global Offering" below.

Allocation

Allocation of the 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 the 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 the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of the Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be equally divided into two pools for allocation purposes: 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 the 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 the 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 the 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 the 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 43,875,000 Hong Kong Offer Shares (being 50% of the 87,750,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation and Clawback

The allocation of the 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 the Offer Shares under the Hong Kong Public Offering to certain percentage of the total number of the Offer Shares offered under the Global Offering if a certain prescribed total demand level is reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 7.5% of the Global Offering and in the event of over-subscription under the Hong Kong Public Offering, the Joint Representatives (for themselves and on behalf of the other Underwriters), shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows:

(i) 87,750,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of the 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 140,400,000 H Shares, representing approximately 12% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 60 times the number of the 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 175,500,000 H Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 60 times or more than the number of the 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 351,000,000 H Shares, representing approximately 30% 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 allocated as between these offerings at the sole discretion of the Joint Representatives. If the Hong Kong Offer Shares are not fully subscribed, the Joint Representatives have the authority to re-allocate all or any of the unsubscribed Hong Kong Offer Shares to the International Offering in such number as it deems appropriate to satisfy the demand under the International Offering. In addition to the allocation mentioned in the foregoing paragraph which may be required, in the event (i) the International Offering is not fully subscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 10 times of the number of Offer Shares initially allocated for subscription under the Hong Kong Public Offering, the Joint Representatives have the authority to re-allocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Guidance Letter HKEx-GL91-18 issued by the Hong Kong Stock Exchange, (i) the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation will be increased to 175,500,000 H Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$5.94 per Offer Share) stated in this prospectus.

Details of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Hong Kong Public Offering, which is expected to be published on Monday, June 25, 2018.

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$6.66 per Offer Share in addition to the brokerage, SFC transaction levy and the 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 "– The International Offering – Pricing and Allocation" below, is less than the maximum price of HK$6.66 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the 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 below in the section headed "How to Apply for Hong Kong Offer Shares".

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

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The International Offering will consist of an initial offering of 1,082,250,000 International Offer Shares, representing 92.5% 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 and assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Offering Shares will be conditionally placed on behalf of our Bank by the International Underwriters or through selling agents appointed by them. The International Offering will include selective marketing of the 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 the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "– The International Offering – 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 Hong Kong 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 Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered the 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 Representatives 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 the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection headed "– 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 is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives in whole or in part at their sole and absolute discretion for themselves and on behalf of the International Underwriters within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Representatives will have the right to require our Bank to allot and issue up to an aggregate of 175,500,000 Offer Shares representing in aggregate 15% of the initial number of the Offer Shares at the Offer Price to 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 Representatives may also cover any over-allocations by purchasing the H 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 H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of the H 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 (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (ii) selling or agreeing to sell the H 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 H Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (v) selling or agreeing to sell any H 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 H Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, 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 H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on 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 H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action 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 H Shares.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Thursday, July 19, 2018, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. It is anticipated that no stabilization activity will be carried out during the stabilization period. The Bank will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of the H Shares in connection with the Global Offering, the Joint Representatives, 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 number of the H Shares which can be over-allocated will not exceed the number of the H Shares which may be issued or sold pursuant to the exercise in full of the Over-allotment Option, being 175,500,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the 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 Representatives (for themselves and on behalf of the Underwriters) and the Bank on the Price Determination Date, which is expected to be on or about Tuesday, June 19, 2018 and in any event no later than Friday, June 22, 2018.

The Offer Price will not be more than HK$6.66 per Offer Share and is expected to be not less than HK$5.94 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 Representatives (for themselves and on behalf of the Underwriters) and the Bank by Friday, June 22, 2018, 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 Representatives and the Joint Sponsors consider it appropriate, the number of the 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, the Bank will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Tuesday, June 19, 2018, 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.jx-bank.com**, notice of the reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such notice and supplemental prospectus 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.

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 the 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 the 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. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of the 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.

In the event of a reduction in the number of the Offer Shares, the Joint Representatives and the Joint Sponsors may, at their discretion, reallocate the number of the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of the Offer Shares comprised in the Hong Kong Public Offering shall not be less than 7.5% 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 Representatives and the Joint Sponsors. Allocation of the International Offer Shares under the International Offering will be determined by the Joint Representatives and will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector, and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional, or corporate investors and is intended to result in a distribution of the Bank's Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Bank and our Shareholders as a whole. Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. The allocation of the Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

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 the Offer Shares under the Hong Kong Public Offering are expected to be announced on Monday, June 25, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Bank (**www.jx-bank.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

UNDERWRITING AGREEMENTS

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 Representatives (for themselves and on behalf of the Underwriters) and the Bank on the Price Determination Date.

The Bank expects that our Bank will, on or about Tuesday, June 19, 2018, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting".

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS, established and operated by the HKSCC.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Bank complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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 of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Offer Shares to be offered pursuant to the Global Offering (including any Offer Shares which may be issued or sold 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 Underwriting 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. The Bank will cause a notice of the lapse of the Hong Kong Public Offering to be published by the Bank 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 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 or before Monday, June 25, 2018 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in the Bank's Offer Shares, which is expected to be on Tuesday, June 26, 2018, 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 the 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 Tuesday, June 26, 2018, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, June 26, 2018. The H Shares will be traded in board lots of 500 H Shares. The stock code of the H Shares is 1916.

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 Representatives, 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 Representatives 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 **White Form eIPO** for 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 and/or any of our subsidiaries;
- a Director or chief executive officer of our Bank and/or any of our subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Bank or a person who will become a connected person of our Bank immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, June 13, 2018 until 12:00 noon on Tuesday, June 19, 2018 from:

(i) any of the following offices of the Joint Bookrunners:

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

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

AMTD Global Markets Limited
23-25/F, Nexxus Building
41 Connaught Road Central
Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

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

CEB International Capital Corporation Limited
22/F, AIA Central
No. 1 Connaught Road Central
Central
Hong Kong

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

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place Central
Hong Kong

(ii) any of the designated branches of the following receiving banks:

(a) Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road Central Hong Kong
	Taikoo Shing Branch	Shop G1006 Hoi Sing Mansion Taikoo Shing Hong Kong
Kowloon	Hoi Yuen Road Branch	55 Hoi Yuen Road Kwun Tong Kowloon Hong Kong
	Yau Ma Tei Branch	471 Nathan Road Yau Ma Tei Kowloon Hong Kong
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street Mong Kok Kowloon Hong Kong
New Territories	East Point City Branch	Shop 101, East Point City Tseung Kwan O New Territories Hong Kong
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II New Territories Hong Kong

(b) Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F Two Chinachem Central 26 Des Voeux Road Central Central Hong Kong
	North Point Centre Branch	Shop G, G/F North Point Centre 284 King's Road North Point Hong Kong

District	Branch Name	Address
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court 66-70 Nathan Road Tsimshatsui Kowloon Hong Kong
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor Mei Foo Plaza Mei Foo Sun Chuen Kowloon Hong Kong
New Territories	Tseung Kwan O Branch	Shop G37-40, G/F Hau Tak Shopping Centre East Wing Hau Tak Estate Tseung Kwan O New Territories Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, June 13, 2018 until 12:00 noon on Tuesday, June 19, 2018 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 – JIANGXI BANK 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:

- Wednesday, June 13, 2018 – 9:00 a.m. to 5:00 p.m.
- Thursday, June 14, 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, June 15, 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, June 16, 2018 – 9:00 a.m. to 1:00 p.m.
- Tuesday, June 19, 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, June 19, 2018, 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**, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Bank and/or the Joint Representatives (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 Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors 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 Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors 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 (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) 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 have fulfilled the criteria mentioned in "Personal Collection" section in this prospectus to collect the 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 Representatives, 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 (a) 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 (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

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 Wednesday, June 13, 2018 until 11:30 a.m. on Tuesday, June 19, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, June 19, 2018 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 papers 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 "JIANGXI BANK CO., LTD." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" 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 Representatives and the 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;

- 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 Representatives 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 Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors 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 Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Bank, for itself and for the benefit of each Shareholder (and so that our 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 of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree with our Bank, for itself and for the benefit of each Shareholder 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 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 the 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 500 Hong Kong Offer Shares. Instructions for more than 500 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:

- Wednesday, June 13, 2018 – 9:00 a.m. to 8:30 p.m.[1]
- Thursday, June 14, 2018 – 8:00 a.m. to 8:30 p.m.[1]
- Friday, June 15, 2018 – 8:00 a.m. to 8:30 p.m.[1]
- Saturday, June 16, 2018 – 8:00 a.m. to 1:00 p.m.[1]
- Tuesday, June 19, 2018 – 8:00 a.m.[1] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, June 13, 2018 until 12:00 noon on Tuesday, June 19, 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, June 19, 2018, 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 Representatives, the Underwriters and any of their respective advisors 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 Sponsors, the Joint Representatives, the Joint Global Coordinators, 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 Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, June 19, 2018.

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 Hong Kong Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for 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 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 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 Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure of the Global Offering – The International 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 Tuesday, June 19, 2018. 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 Tuesday, June 19, 2018 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 Monday, June 25, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Bank's website at **www.jx-bank.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Bank's website at **www.jx-bank.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, June 25, 2018;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, June 25, 2018 to 12:00 midnight on Sunday, July 1, 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, June 25, 2018 to Thursday, June 28, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours on Monday, June 25, 2018 to Wednesday, June 27, 2018 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:

(a) **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.

(b) **If our Bank or our agents exercise our discretion to reject your application:**

Our Bank, the Joint Representatives, 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.

(c) **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 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 of the Hong Kong Stock Exchange notifies our Bank of that longer period within three weeks of the closing date of the application lists.

(d) **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 Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$6.66 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, June 25, 2018.

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 a **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 or before Monday, June 25, 2018. 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 Tuesday, June 26, 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(a) 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 Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 25, 2018 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 or before Monday, June 25, 2018, by ordinary post and at your own risk.

(b) 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 or before Monday, June 25, 2018, 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 Monday, June 25, 2018, 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 Monday, June 25, 2018 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.

(c) 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 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 Monday, June 25, 2018, 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 or before Monday, June 25, 2018 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.

(d) 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 Monday, June 25, 2018, 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 Monday, June 25, 2018. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, June 25, 2018 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 Monday, June 25, 2018. 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 Monday, June 25, 2018.

15. ADMISSION OF THE 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 advisor 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 set out on pages I-1 to I-109, received from the Bank's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGXI BANK CO., LTD. AND CCB INTERNATIONAL CAPITAL LIMITED AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Jiangxi Bank Co., Ltd. (the "Bank") and its subsidiary (together, the "Group") set out on pages I-3 to I-109, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Bank as at December 31, 2015, 2016 and 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2015, 2016 and 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-109 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Bank dated June 13, 2018 (the "Prospectus") in connection with the initial listing of shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Bank are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Notes 2(1)-(4) of Section C to the Historical Financial Information, and for such internal control as the directors of the Bank determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Notes 2(1)-(4) of Section C to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Bank's and the Group's financial position as at December 31, 2015, 2016 and 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Notes 2(1)-(4) of Section C to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 38 to the Historical Financial Information which contains information about the dividends paid by the Bank in respect of the Relevant Periods.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

June 13, 2018

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

I Consolidated statements of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**Years ended December 31,**		
		2015	**2016**	**2017**
Interest income		10,155,663	12,785,988	15,393,748
Interest expense		(3,914,617)	(4,959,812)	(7,912,645)
Net interest income	*3*	6,241,046	7,826,176	7,481,103
Fee and commission income		593,143	1,017,735	1,643,764
Fee and commission expense		(45,407)	(55,975)	(153,145)
Net fee and commission income	*4*	547,736	961,760	1,490,619
Net trading gains/(losses)	*5*	49,506	(61,117)	(109,962)
Net gains arising from investment securities	*6*	76	234,427	572,870
Other operating income	*7*	53,948	23,191	17,639
Operating income		6,892,312	8,984,437	9,452,269
Operating expenses	*8*	(2,399,104)	(2,957,626)	(3,147,384)
Impairment losses on assets	*11*	(3,515,904)	(3,614,493)	(2,575,802)
Share of (losses)/profits of associates		(11,715)	1,122	12,026
Profit before tax		965,589	2,413,440	3,741,109
Income tax	*12*	(192,772)	(735,569)	(826,285)
Net profit for the year		772,817	1,677,871	2,914,824
Net profit attributable to:				
Equity shareholders of the Bank		772,571	1,637,349	2,865,226
Non-controlling interests		246	40,522	49,598
		772,817	1,677,871	2,914,824

	Note	Years ended December 31,		
		2015	2016	2017
Net profit for the year		772,817	1,677,871	2,914,824
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
– Available-for-sale financial assets: net movement in the investment revaluation reserve	*37(a)*	46,385	(74,845)	(325,162)
Other comprehensive income, net of tax		46,385	(74,845)	(325,162)
Total comprehensive income		819,202	1,603,026	2,589,662
Total comprehensive income attributable to:				
Equity shareholders of the Bank		818,956	1,562,504	2,540,064
Non-controlling interests		246	40,522	49,598
		819,202	1,603,026	2,589,662
Basic and diluted earnings per share (in RMB)	*13*	0.27	0.35	0.61

II Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At December 31, 2015	2016	2017
Assets				
Cash and deposits with the central bank	14	26,983,991	34,820,475	40,039,192
Deposits with banks and other financial institutions	15	6,816,835	4,624,951	1,818,235
Placements with banks and other financial institutions	16	–	–	500,000
Financial assets at fair value through profit or loss	17	5,367,675	71,314	587,817
Financial assets held under resale agreements	18	10,093,503	5,658,039	6,180,084
Loans and advances to customers	19	82,253,428	104,153,645	124,769,378
Available-for-sale financial assets	20	12,004,446	74,615,104	59,606,148
Held-to-maturity investments	21	16,586,432	20,063,182	25,620,386
Investments classified as receivables	22	45,724,023	62,582,366	102,615,409
Interest in associates	23	116,119	117,240	129,266
Property and equipment	25	2,413,111	2,520,727	2,642,897
Deferred tax assets	26	825,976	1,146,627	1,522,569
Other assets	27	2,263,271	3,367,122	3,973,917
Total assets		211,448,810	313,740,792	370,005,298
Liabilities and equity				
Liabilities				
Borrowing from the central bank		600,000	6,000,000	4,022,343
Deposits from banks and other financial institutions	29	13,155,367	30,829,329	29,820,013
Placements from banks and other financial institutions	30	149,161	77,748	1,350,000
Borrowing from other financial institutions	31	100,000	6,480,000	8,450,000
Financial assets sold under repurchase agreements	32	12,705,618	8,432,594	6,689,051
Deposits from customers	33	144,038,115	191,137,769	243,837,351
Notes payable		98,599	800,000	655,000
Income tax payable		167	432,680	495,498
Debt securities issued	34	17,362,190	43,786,584	43,473,768
Other liabilities	35	3,436,353	4,591,761	7,940,213
Total liabilities		191,645,570	292,568,465	346,733,237
Equity				
Share capital	36	4,678,777	4,678,777	4,678,777
Capital reserve	37	7,673,746	7,598,901	7,273,739
Surplus reserve	37	1,810,480	1,969,997	2,253,652
General reserve	37	2,606,775	3,964,106	4,700,715
Retained earnings	38	2,543,216	2,429,778	3,806,862
Total equity attributable to equity shareholders of the Bank		19,312,994	20,641,559	22,713,745
Non-controlling interests		490,246	530,768	558,316
Total equity		19,803,240	21,172,327	23,272,061
Total liabilities and equity		211,448,810	313,740,792	370,005,298

III Consolidated statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank							
		Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
Balance at January 1, 2015		2,782,068	1,186,438	1,733,248	1,958,168	2,913,795	10,573,717	–	10,573,717
Changes in equity for the year:									
Net profit for the year		–	–	–	–	772,571	772,571	246	772,817
Other comprehensive income		–	46,385	–	–	–	46,385	–	46,385
Changes in share capital									
– Capital contributed by equity shareholders	36	1,896,709	6,440,923	–	–	–	8,337,632	–	8,337,632
– Capital contribution by non-controlling interests		–	–	–	–	–	–	490,000	490,000
Appropriation of profits	38								
– Appropriation to surplus reserve		–	–	77,232	–	(77,232)	–	–	–
– Appropriation to general reserve		–	–	–	648,607	(648,607)	–	–	–
– Appropriation to shareholders		–	–	–	–	(417,311)	(417,311)	–	(417,311)
Balance at December 31, 2015		4,678,777	7,673,746	1,810,480	2,606,775	2,543,216	19,312,994	490,246	19,803,240
Balance at January 1, 2016		4,678,777	7,673,746	1,810,480	2,606,775	2,543,216	19,312,994	490,246	19,803,240
Changes in equity for the year:									
Net profit for the year		–	–	–	–	1,637,349	1,637,349	40,522	1,677,871
Other comprehensive income		–	(74,845)	–	–	–	(74,845)	–	(74,845)
Appropriation of profits	38								
– Appropriation to surplus reserve		–	–	159,517	–	(159,517)	–	–	–
– Appropriation to general reserve		–	–	–	1,357,331	(1,357,331)	–	–	–
– Appropriation to shareholders		–	–	–	–	(233,939)	(233,939)	–	(233,939)
Balance at December 31, 2016		4,678,777	7,598,901	1,969,997	3,964,106	2,429,778	20,641,559	530,768	21,172,327

	Note	Attributable to equity shareholders of the Bank							
		Share capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total**
Balance at January 1, 2017		4,678,777	7,598,901	1,969,997	3,964,106	2,429,778	20,641,559	530,768	21,172,327
Changes in equity for the year									
Net profit for the year		–	–	–	–	2,865,226	2,865,226	49,598	2,914,824
Other comprehensive income		–	(325,162)	–	–	–	(325,162)	–	(325,162)
Appropriation of profits	*38*								
– Appropriation to surplus reserve		–	–	283,655	–	(283,655)	–	–	–
– Appropriation to general reserve		–	–	–	736,609	(736,609)	–	–	–
– Appropriation to shareholders		–	–	–	–	(467,878)	(467,878)	(22,050)	(489,928)
Balance at December 31, 2017		4,678,777	7,273,739	2,253,652	4,700,715	3,806,862	22,713,745	558,316	23,272,061

IV Consolidated cash flow statements

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Years ended December 31,		
		2015	2016	2017
Cash flows from operating activities				
Profit before tax		965,589	2,413,440	3,741,109
Adjustments for:				
Impairment losses on assets		3,515,904	3,614,493	2,575,802
Depreciation and amortization		177,075	299,780	331,639
Unwinding of discount		(344,295)	(460,304)	(146,603)
Investment interest income		(3,456,299)	(5,469,988)	(7,477,712)
Unrealized foreign exchange (gains)/losses		(5,771)	(8,634)	27,025
Net gains on disposal of investment securities		(76)	(234,427)	(572,870)
Net trading (gains)/losses		(49,506)	61,117	109,962
Share of losses/(profits) of associates		11,715	(1,122)	(12,026)
Interest expense on debt securities issued		547,687	890,037	2,119,127
Net losses/(gains) on disposal of property and equipment		595	(326)	26
		1,362,618	1,104,066	695,479
Changes in operating assets				
Net increase in deposits with the central bank		(2,038,577)	(5,698,748)	(7,985,131)
Net (increase)/decrease in deposits with banks and other financial institutions		(1,492,897)	1,903,497	1,984,305
Net decrease in placements with banks and other financial institutions		870,500	–	–
Net decrease in financial assets held under resale agreements		2,015,147	2,110,811	–
Net increase in loans and advances to customers		(21,259,466)	(24,314,102)	(22,701,915)
Net decrease/(increase) in other operating assets		590,636	(104,513)	(62,439)
		(21,314,657)	(26,103,055)	(28,765,180)
Changes in operating liabilities				
Net increase/(decrease) in borrowing from the central bank		449,838	5,400,000	(1,977,657)
Net increase in deposits from customers		30,291,552	47,182,012	52,631,632
Net (decrease)/increase in deposits from banks and other financial institutions		(2,651,703)	17,726,074	(1,033,189)
Net increase in borrowing from other financial institutions		100,000	6,380,000	1,970,000
Net increase/(decrease) in placements from banks and other financial institutions		157,766	(64,008)	1,271,446
Net decrease in financial assets sold under repurchase agreements		(5,126,067)	(4,273,024)	(1,743,543)
Income tax paid		(261,364)	(598,760)	(1,031,022)
Net (decrease)/increase in other operating liabilities		(138,305)	1,644,635	3,368,952
		22,821,717	73,396,929	53,456,619
Net cash flows generated from operating activities		2,869,678	48,397,940	25,386,918
Cash flows from investing activities				
Proceeds from disposal and redemption of investments		187,350,355	643,582,485	620,373,450
Gains received from investment activities		3,294,435	1,831,428	4,201,101
Proceeds from disposal of property and equipment and other assets		3,739	5,364	36,843
Proceeds from the associates		1,705,599	–	–
Payments on acquisition of investments		(213,474,143)	(719,498,744)	(648,829,236)
Payments on acquisition of property and equipment, intangible assets and other assets		(993,925)	(1,130,941)	(866,782)
Net cash flows used in investing activities		(22,113,940)	(75,210,408)	(25,084,624)

	Note	Years ended December 31,		
		2015	2016	2017
Cash flows from financing activities				
Proceeds from capital contribution by equity shareholders		7,068,750	–	–
Proceeds from capital contribution by non-controlling shareholders		490,000	–	–
Proceeds from debt securities issued	*41(c)*	17,584,296	63,200,516	87,725,553
Repayment of debt securities issued	*41(c)*	(7,450,000)	(37,330,000)	(89,710,000)
Interest paid on debt securities issued		(303,196)	(336,159)	(447,496)
Dividends paid		(458,302)	(213,065)	(490,027)
Payments for initial public offering ("IPO") costs		–	–	(9,198)
Net cash flows generated from/(used in) financing activities		16,931,548	25,321,292	(2,931,168)
Effect of foreign exchange rate changes on cash and cash equivalents		(36,140)	(49,092)	62,079
Net decrease in cash and cash equivalents	*41(a)*	(2,348,854)	(1,540,268)	(2,566,795)
Cash and cash equivalents as at January 1		20,402,799	18,053,945	16,513,677
Cash and cash equivalents as at December 31	*41(b)*	18,053,945	16,513,677	13,946,882
Net cash flows generated from/(used in) operating activities include:				
Interest received		7,021,186	6,778,094	7,736,581
Interest paid (excluding interest expense on debt securities issued)		(3,307,292)	(3,494,844)	(4,579,262)

B STATEMENTS OF FINANCIAL POSITION OF THE BANK

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At December 31,		
		2015	2016	2017
Assets				
Cash and deposits with the central bank	14	26,983,991	34,820,475	40,039,192
Deposits with banks and other financial institutions	15	6,816,835	4,624,951	1,818,211
Placements with banks and other financial institutions	16	110,000	–	920,000
Financial assets at fair value through profit or loss	17	5,367,675	71,314	587,817
Financial assets held under resale agreements	18	10,093,503	5,658,039	6,180,084
Loans and advances to customers	19	80,612,728	97,291,720	115,231,846
Available-for-sale financial assets	20	11,804,446	74,615,104	59,606,148
Held-to-maturity investments	21	16,586,432	20,063,182	25,620,386
Investments classified as receivables	22	45,523,511	61,601,132	101,476,373
Interest in associates	23	116,119	117,240	129,266
Investments in subsidiaries	24	510,000	510,000	510,000
Property and equipment	25	2,412,191	2,518,104	2,639,178
Deferred tax assets	26	825,976	1,138,009	1,499,641
Other assets	27	2,252,639	2,556,237	3,564,667
Total assets		210,016,046	305,585,507	359,822,809
Liabilities and equity				
Liabilities				
Borrowing from the central bank		600,000	6,000,000	4,022,343
Deposits from banks and other financial institutions	29	13,342,489	31,211,289	30,301,342
Placements from banks and other financial institutions	30	149,161	77,748	1,350,000
Financial assets sold under repurchase agreements	32	11,915,618	8,432,594	6,689,051
Deposits from customers	33	144,038,115	191,137,769	243,837,358
Income tax payable		–	414,560	470,730
Debt securities issued	34	17,362,190	43,786,584	43,473,768
Other liabilities	35	3,295,735	3,925,835	7,035,576
Total liabilities		190,703,308	284,986,379	337,180,168
Equity				
Share capital	36	4,678,777	4,678,777	4,678,777
Capital reserve	37	7,673,746	7,598,901	7,273,739
Surplus reserve	37	1,810,480	1,969,997	2,253,652
General reserve	37	2,606,775	3,950,336	4,663,995
Retained earnings	38	2,542,960	2,401,117	3,772,478
Total equity		19,312,738	20,599,128	22,642,641
Total liabilities and equity		210,016,046	305,585,507	359,822,809

C NOTES TO THE FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Jiangxi Bank Co., Ltd. (the "Bank"), formerly known as Nanchang Bank Co., Ltd., headquartered in Nanchang, Jiangxi Province. On December 31, 1997, the Bank was established by Nanchang Finance Bureau, several business entities and natural persons, on the basis of formerly 40 urban credit cooperatives located in Nanchang City, with the approval of the People's Bank of China ("PBOC"). On February 18, 1998, the Bank was registered as Nanchang City Commercial Bank Co., Ltd., with the approval of Jiangxi Province Administration of Industry and Commerce.

On August 6, 2008, the Bank changed its name from Nanchang City Commercial Bank Co., Ltd. to Nanchang Bank Co., Ltd.. On December 3, 2015, the China Banking Regulatory Commission (the "CBRC") promulgated Yinjianfu 2015 No. 658 <Approval of the Acquisition of Jingdezhen City Commercial Bank by Nanchang Bank>. On December 7, 2015, Jiangxi Province State Council promulgated GanFuzi 2015 No. 85 <Notice on the Issuance of Establishment Plan for Jiangxi Bank Co., Ltd.>, the Bank acquired Jingdezhen City Commercial Bank Co., Ltd. by acquiring its entire equity interest and changed its name to Jiangxi Bank Co., Ltd. on December 11, 2015. The acquisition is accounted for using acquisition method under IFRS 3 Business Combinations.

As at December 31, 2017, the number of ordinary shares of the Bank was 4.679 billion.

The Bank obtained its finance permit No. B0792H236010001 from the CBRC. The principal activities of the Bank and its subsidiary (collectively referred to as the "Group") are deposit taking; granting of loans; domestic settlement; foreign exchange business, bill discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds; inter-bank placement; providing guarantee; acting as agent on inward and outward payments, acting as insurance agent; safe-box service; entrusted loans based on local government fund and other business activities approved by the CBRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation and presentation – Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended December 31, 2017. The revised and new accounting standards and interpretations but not yet effective for the accounting period ended December 31, 2017, are set out below:

	Effective for accounting period beginning on or after
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
Amendments to IFRS 4, *Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts*	1 January 2018
Amendments to IAS 40, *Transfers of investment property*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
Amendments to IFRS 2, *Classification and measurement of share-based payment transactions*	1 January 2018
Annual Improvements to IFRSs 2014-2016 cycle	1 January 2018
Amendments to IAS 28, *Long-term interests in associates and joint ventures*	1 January 2019
Amendments to IAS 19, *Plan amendment, curtailment or settlement*	1 January 2019
Amendments to IFRS 9, *Prepayment features with negative compensation*	1 January 2019
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015-2017 cycle	1 January 2019
IFRS 17, *Insurance contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an Investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position, except for the following:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS9 Financial Instruments. IFRS9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. It replaces IAS39 *Financial Instruments: Recognition and Measurement*.

In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*. The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Group will apply IFRS9 as issued in July 2014 initially on January 1, 2018 and will early adopt the amendments to IFRS9 on the same date. Based on assessments undertaken to December 31, 2017, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at January 1, 2018 is approximately RMB360.1 million, representing:

– a reduction of approximately RMB392.8 million related to impairment requirements;

– a reduction of approximately RMB140.9 million related to classification and measurement requirements, other than impairment; and

– an increase of approximately RMB173.6 million related to deferred tax impacts.

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on January 1, 2018 may change because:

– IFRS 9 will require the Group to revise its accounting processes and internal controls and these changes are not yet complete;

– although parallel runs were carried out in the second half of 2017, the new systems and associated controls in place have not been operational for a more extended period;

– the Group has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework;

– the Group is refining and finalising its models for ECL calculations; and

– the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

The Directors of the Group assess that adopting IFRS 15 would not have a material impact to the Business' financial information.

IFRS 16 Leases

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts in the statement of financial position, unless the underlying asset is of low value. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in the statement of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and interest portion for presentation in the statement of cash flows.

As at December 31, 2017, the Group had non-cancellable operating lease commitments of RMB1,088 million, see Note 48(c). However, the Directors of the Group are in the process of assessing to what extent these commitments will affect the recognition of right-of-use assets and liabilities for future payments and how these commitments will affect the operation profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases; some commitments may relate to arrangements that will not be qualified as leases under IFRS 16. The Directors of the Group do not expect the adoption of IFRS 16 as compared with the current accounting policy will result in significant impacts on the operation results, but it is expected that certain portion of these commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities under IFRS 16.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Directors of the Group do not expect the adoption of IFRS 16 will result in significant impacts on the financial information of the Group as a lessor.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information comprises the Bank and its subsidiary and has been prepared on a consolidated basis. Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information. The subsidiary of the Bank has adopted December 31 as their financial year end date.

(2) Basis of preparation and presentation – Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Group. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated.

(3) Basis of preparation and presentation – Basis of measurement

The Historical Financial Information has been prepared on the historical cost basis except of certain financial assets, which are measured at fair value, as stated in Note 2(11).

(4) Basis of preparation and presentation – Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have a significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 2(29).

(5) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 2(19)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(6) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(7)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(19)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(7) Associates and joint ventures

An associate is an entity in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group'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 Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(19)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group'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 Group ceases to have significant influence over an associate or joint control over a joint venture, 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 or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Bank's statement of financial position, interest in associates and joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(8) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase. Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(19)).

On disposal of a cash generating unit during the Relevant Periods, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(9) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the Relevant Periods. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in capital reserve.

(10) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(11) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorized as follows:

- *Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)*

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

– the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;

– the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;

– the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

– the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognized in profit or loss.

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

(a) those that the Group, upon initial recognition, designates at fair value through profit or loss or as available-for-sale; or

(b) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are stated at amortized cost using the effective interest method.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

(a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;

(b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or

(c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Loans and receivables mainly comprise loans and advances to customers, financial assets classified as receivables, deposits and placements with banks and other financial institutions and financial assets held under resale agreements. Subsequent to initial recognition, loans and receivables are stated at amortized cost using the effective interest method.

- *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, are recognized directly in other comprehensive income. Investments in available-for-sale equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment losses, if any. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is reclassified to the profit or loss.

- *Other financial liabilities*

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(ii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of each of the Relevant Periods to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

– significant financial difficulty of the issuer or borrower;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

– disappearance of an active market for financial assets because of financial difficulties;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

- *Loans and receivables*

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognized in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralized loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Homogeneous groups of loans not considered individually significant

For homogeneous groups of loans that are not considered individually significant, the Group adopts a flow rate methodology to collectively assess impairment losses. This methodology utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgement based on management's historical experience.

Individually assessed loans with no objective evidence of impairment on an individual basis

Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of each of the Relevant Periods but which will not be individually identified as such until sometime in the future.

The collective impairment loss is assessed after taking into account:

– historical loss experience in portfolios of similar credit risk characteristics;

– the emergence period between a loss occurring and that loss being identified; and

– the current economic and credit environments and the judgment on inherent loss based on management's historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

When the Group determines that loans and receivables have no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loans and receivables are written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loans and receivables written off are recovered, the amount recovered is recognized in profit or loss through impairment losses.

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

• *Held-to-maturity investments*

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

- *Available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognized.

The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost net of any principal repayment and amortization and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized on available-for-sale debt securities, the fair value of the assets increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. An impairment loss recognized for an equity instrument classified as available-for-sale is not reversed through profit or loss but recognized directly in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset, and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Impairment losses for equity instruments carried at cost are not reversed.

(iii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the Relevant Periods. Where other pricing models are used, inputs are based on market data at the end of each of the Relevant Periods.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or

- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(12) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(13) Investment in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(6).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognized at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (see Note 2(19)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.

(14) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 2(19)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	3.00%	4.85%
Land use rights	30 – 50 years	2.00%	1.96% – 3.27%

(15) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 2(19)). Construction in progress is stated in the statements of financial position at cost less impairment loss (see Note 2(19)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognized as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	5 – 20 years	3.00% – 5.00%	4.75% – 19.40%
Electronic equipment	3 – 5 years	3.00% – 5.00%	19.00% – 32.33%
Others	3 – 10 years	3.00% – 5.00%	9.50% – 32.33%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

(16) Operating leases

Payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(17) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (see Note 2(19)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

– Land use rights	30 – 50 years
– Real estate use rights	20 – 25 years
– Computer software	3 – 10 years
– Core deposit	10 years
– Others	1 – 20 years

(18) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(19) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of each of the Relevant Periods based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- construction in progress
- intangible assets
- investment property measured using a cost model
- investment in subsidiaries
- goodwill

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(20) 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 Group include the social pension schemes.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group 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 Group 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 benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefits expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the income statement as they occur.

Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in a defined contribution plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Group has no obligation to pay further contributions if the Annuity Plan does not sufficient assets to pay all employee benefits.

(21) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(22) Financial guarantees, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (the "guarantor") to make specified payments to reimburse the beneficiary of the guarantee ("holder") for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognized as deferred income in other liabilities. The deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognized in the statements of financial position as stated in Note 2(22)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(ii) Other provisions and contingent liabilities

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(23) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(24) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders. Income is recognized in profit or loss when it is probable that the economic benefits will flow to the Group, the income and costs can be measured reliably and the following respective conditions are met:

(i) Interest income

Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognized using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

Fee and commission income is recognized in profit or loss when the corresponding service is provided.

(iii) 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 Group will comply with the conditions attaching to them. Grants that compensate the Group 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 Group 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 recognized on an accrual basis.

(25) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognized on an accrual basis.

(26) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of each of the Relevant Periods are not recognized as a liability at the end of each of the Relevant Periods but disclosed separately in the notes to the Financial Information.

(27) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(b) 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);

(c) Both entities are joint ventures of the same third party;

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) The entity is controlled or jointly controlled by a person identified in (i);

(g) A person identified in (i) (a) 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);

(h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(28) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(29) Significant accounting estimates and judgements

The preparation of Financial Information requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(i) Provision for impairment losses on loans and advances to customers and investments (available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables)

The Group reviews portfolios of loans and advances to customers and 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 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 Group will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.

(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 Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(iii) The classification of the held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(v) Early retirement benefits

The amount of employee benefit expenses and liabilities for early retirement benefits are dependent on the assumptions used in the calculation of such amounts by the Group. These assumptions include discount rates, pension and medical benefit growth rate and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expenses and early retirement benefits.

(vi) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant 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 assumption.

(vii) Depreciation and amortization

Investment properties, property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of the Relevant Periods. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

(viii) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(6) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 39.

3 NET INTEREST INCOME

	Years ended December 31,		
	2015	2016	2017
Interest income arising from			
Deposits with the central bank	304,493	398,914	501,671
Deposits with banks and other financial institutions	415,103	232,640	52,288
Placements with banks and other financial institutions	474	507	15,548
Loans and advances to customers			
– Corporate loans and advances	4,317,696	4,965,631	5,004,321
– Personal loans and advances	1,180,993	1,335,336	1,921,273
– Discounted bills	160,386	111,973	47,040
Financial assets held under resale agreements	320,219	270,999	373,895
Investments	3,456,299	5,469,988	7,477,712
Sub-total	10,155,663	12,785,988	15,393,748
Interest expenses arising from			
Borrowing from the central bank	(14,380)	(13,888)	(59,854)
Deposits from banks and other financial institutions	(753,472)	(624,088)	(1,206,447)
Placements from banks and other financial institutions	(15,950)	(8,205)	(25,199)
Deposits from customers	(2,321,533)	(2,958,916)	(3,740,652)
Financial assets sold under repurchase agreements	(260,533)	(308,010)	(425,512)
Debt securities issued	(547,687)	(890,037)	(2,119,127)
Others	(1,062)	(156,668)	(335,854)
Sub-total	(3,914,617)	(4,959,812)	(7,912,645)
Net interest income	6,241,046	7,826,176	7,481,103

Total interest income arising from financial assets that are not at fair value through profit or loss for the years ended December 31, 2015, 2016 and 2017 amounted to RMB10,028 million, RMB12,674 million and RMB15,314 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, 2015, 2016 and 2017 amounted to RMB3,915 million, RMB4,960 million and RMB7,913 million, respectively.

Interest income arising from impaired loan for the years ended December 31, 2015, 2016 and 2017 amounted to RMB344 million, RMB460 million and RMB147 million, respectively.

4 NET FEE AND COMMISSION INCOME

	Years ended December 31,		
	2015	2016	2017
Fee and commission income			
Custodial service fees	154,387	90,648	149,923
Asset management business fees	137,872	332,113	421,658
Settlement and electronic channel business fees	70,453	88,159	177,403
Advisory and consulting fees	72,778	194,500	369,713
Bank card service fees	45,003	71,352	137,220
Agency services fees	58,713	83,732	234,288
Acceptance and guarantee service fees	33,507	32,459	33,466
Finance lease services fees	20,401	123,744	110,838
Others	29	1,028	9,255
Sub-total	593,143	1,017,735	1,643,764
Fee and commission expense			
Settlement and clearing fees	(16,445)	(12,331)	(39,371)
Others	(28,962)	(43,644)	(113,774)
Sub-total	(45,407)	(55,975)	(153,145)
Net fee and commission income	547,736	961,760	1,490,619

5 NET TRADING GAINS/(LOSSES)

	Years ended December 31,		
	2015	2016	2017
Net gains/(losses) from debt securities	49,506	(61,117)	(109,962)

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.

6 NET GAINS ARISING FROM INVESTMENT SECURITIES

	Years ended December 31,		
	2015	2016	2017
Net gains on disposal of investments classified as receivables	5,533	41,431	4,315
Net gains/(losses) on disposal of available-for-sale financial assets	3,455	18,088	(72,337)
Dividend income	550	1,775	1,550
Realised gains from funds	–	119,409	608,106
Net revaluation (losses)/gains reclassified from other comprehensive income on disposal	(9,462)	53,724	31,236
Total	76	234,427	572,870

7 OTHER OPERATING INCOME

	Years ended December 31,		
	2015	2016	2017
Government grants	16,933	23,978	24,939
Foreign exchange gains/(losses)	5,771	8,634	(27,025)
Rental income	1,069	7,265	7,937
Net (losses)/gains on disposal of non-current assets	(595)	326	(26)
Others	30,770	(17,012)	11,814
Total	53,948	23,191	17,639

8 OPERATING EXPENSES

	Years ended December 31,		
	2015	2016	2017
Staff costs			
– Salaries, bonuses and allowances	644,927	947,163	1,049,097
– Social insurance and supplementary retirement benefits	119,950	154,795	200,907
– Staff welfares	91,048	117,178	124,666
– Housing allowances	46,905	62,275	71,879
– Employee education expenses and labour union expenses	24,831	36,822	35,669
– Others	4,183	7,280	7,346
Sub-total	931,844	1,325,513	1,489,564
Other general and administrative expenses	690,910	887,707	1,029,758
Business tax and surcharges	482,331	284,879	105,178
Depreciation and amortization	177,075	299,780	331,639
Rental and property management expenses	116,944	159,747	191,245
Total	2,399,104	2,957,626	3,147,384

Auditors' remuneration for the years ended December 31, 2015, 2016 and 2017 was RMB0.7 million, RMB0.7 million and 0.7 million, respectively.

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax in respect of the directors and supervisors who held office during the Relevant Periods are as follows:

	Note	Year ended December 31, 2015						
		Fees	**Salaries**	**Discretionary bonus**	**Sub-total**	**Contributions to social pension schemes**	**Other welfares**	**Total**
Executive directors								
Chen Xiaoming		–	2,188	–	2,188	12	88	2,288
Wu Hongtao		–	2,188	–	2,188	12	28	2,228
Chen Yong	*(1)*	–	1,750	–	1,750	12	119	1,881
Xu Jihong	*(1)*	–	1,750	–	1,750	12	92	1,854
Yao Xiaohui	*(1)*	–	1,750	–	1,750	12	119	1,881
Tong Yuming	*(2)*	–	–	–	–	–	–	–
Non-executive directors								
Zeng Zhibin		80	–	–	80	–	–	80
Jiang Liehui	*(1)*	80	–	–	80	–	–	80
Huang Zhimin	*(1)*	80	–	–	80	–	–	80
Li Jun	*(1)*	80	–	–	80	–	–	80
Yu Guo	*(1)*	80	–	–	80	–	–	80
Chen Yun	*(2)*	–	–	–	–	–	–	–
Que Yong	*(2)*	–	–	–	–	–	–	–
Li Zhanrong	*(2)*	–	–	–	–	–	–	–
Liu Sanglin	*(2)*	–	–	–	–	–	–	–
Chen Yu	*(2)*	–	–	–	–	–	–	–
Independent non-executive directors								
Huang Xinjian	*(1)*	100	–	–	100	–	–	100
Hu Yuancheng	*(1)*	100	–	–	100	–	–	100
Ou Minggang	*(1)*	100	–	–	100	–	–	100
Shi Yanxin	*(1)*	100	–	–	100	–	–	100
Jiang Guohua	*(1)*	100	–	–	100	–	–	100
Zhang Rui	*(2)*	–	–	–	–	–	–	–
Guo Tianyong	*(2)*	–	–	–	–	–	–	–
Internal supervisors								
Tao Yulan		–	586	117	703	12	64	779
Yan Long	*(1)*	–	586	117	703	12	64	779
Tu Jianping	*(1)*	80	–	–	80	–	–	80
Li Hua	*(1)*	80	–	–	80	–	–	80
Gan Jiageng	*(1)*	80	–	–	80	–	–	80
Li Jun	*(2)*	–	–	–	–	–	–	–
Chen Chuxin	*(2)*	–	–	–	–	–	–	–
Jiang Liehui	*(2)*	–	–	–	–	–	–	–
Liu Fulin	*(2)*	–	–	–	–	–	–	–
Chen Xinxiang	*(2)*	–	–	–	–	–	–	–
External supervisors								
Fei Jianjun	*(1)*	100	–	–	100	–	–	100
Li Hanguo	*(1)*	100	–	–	100	–	–	100
Liu Xiaoyu	*(1)*	100	–	–	100	–	–	100
Shi Zhongliang	*(2)*	–	–	–	–	–	–	–
Li Danlin	*(2)*	–	–	–	–	–	–	–
Shi Jing	*(2)*	–	–	–	–	–	–	–
Total		1,440	10,798	234	12,472	84	574	13,130

	Note	Year ended December 31, 2016						
		Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
Executive directors								
Chen Xiaoming		–	2,105	248	2,353	14	119	2,486
Wu Hongtao		–	2,105	248	2,353	14	23	2,390
Tong Yuming		–	1,684	199	1,883	14	114	2,011
Non-executive directors								
Que Yong		–	–	–	–	–	–	–
Li Zhanrong		–	–	–	–	–	–	–
Liu Sanglin		–	–	–	–	–	–	–
Chen Yun	*(3)*	–	–	–	–	–	–	–
Chen Yu		–	–	–	–	–	–	–
Zeng Zhibin		–	–	–	–	–	–	–
Deng Jianxin	*(4)*	–	–	–	–	–	–	–
Independent non-executive directors								
Zhang Rui		150	–	–	150	–	–	150
Guo Tianyong		150	–	–	150	–	–	150
Internal supervisors								
Liu Fulin		–	2,105	248	2,353	13	119	2,485
Tao Yulan		–	671	190	861	14	59	934
Chen Xinxiang		–	420	66	486	14	24	524
Li Jun		–	–	–	–	–	–	–
Chen Chuxin		–	–	–	–	–	–	–
Jiang Liehui		–	–	–	–	–	–	–
Huang Zhenping	*(4)*	–	–	–	–	–	–	–
External supervisors								
Shi Zhongliang		150	–	–	150	–	–	150
Li Danlin		150	–	–	150	–	–	150
Shi Jing		150	–	–	150	–	–	150
Total		750	9,090	1,199	11,039	83	458	11,580

	Note	Year ended December 31, 2017						
		Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	Total
Executive directors								
Chen Xiaoming		–	2,150	648	2,798	15	115	2,928
Wu Hongtao		–	2,150	648	2,798	15	19	2,832
Tong Yuming		–	1,721	518	2,239	15	110	2,364
Non-executive directors								
Que Yong		–	–	–	–	–	–	–
Li Zhanrong		–	–	–	–	–	–	–
Liu Sanglin		–	–	–	–	–	–	–
Chen Yu		–	–	–	–	–	–	–
Zeng Zhibin		–	–	–	–	–	–	–
Deng Jianxin		–	–	–	–	–	–	–
Tang Xianqing	*(6)*	–	–	–	–	–	–	–
Independent non-executive directors								
Zhang Rui		150	–	–	150	–	–	150
Guo Tianyong		150	–	–	150	–	–	150
Zhang Wangxia	*(6)*	150	–	–	150	–	–	150
Wong HinWing	*(6)*	–	–	–	–	–	–	–
Wang Yun	*(6)*	–	–	–	–	–	–	–
Internal Supervisors								
Liu Fulin		–	2,150	648	2,798	15	115	2,928
Tao Yulan		–	711	203	914	15	55	984
Chen Xinxiang		–	603	35	638	15	31	684
Chen Chuxin		–	–	–	–	–	–	–
Jiang Liehui	*(5)*	–	–	–	–	–	–	–
Zhou Minhui	*(6)*	–	–	–	–	–	–	–
Huang Zhenping		–	–	–	–	–	–	–
External supervisors								
Shi Zhongliang		150	–	–	150	–	–	150
Li Danlin		150	–	–	150	–	–	150
Shi Jing		150	–	–	150	–	–	150
Total		900	9,485	2,700	13,085	90	445	13,620

(1) On December 28, 2015, Chen Yong, Xu Jihong and Yao Xiaohui resigned as executive director of the Bank. Jiang Liehui, Huang Zhimin, Li Jun and Yu Guo resigned as non-executive director of the Bank. Huang Xinjian, Hu Yuancheng, Ou Minggang, Shi Yanxin and Jiang Guohua resigned as independent non-executive director of the Bank. Yan Long, Tu Jianping, Li Hua and Gan Jiageng resigned as internal director of the Bank. Fei Jianjun, Li Hanguo and Liu Xiaoyu resigned as external supervisor of the Bank.

(2) At the Shareholders' first general meeting held on December 29, 2015, Tong Yuming was elected as executive director of the Bank. Chen Yun, Que Yong, Li Zhanrong, Liu Sanglin and Chen Yu were elected as non-executive director of the Bank. Zhang Rui and Guo Tianyong were elected as independent non-executive director of the Bank. Li Jun, Chen Chuxin and Jiang Liehui were elected as internal supervisor of the Bank. Shi Zhongliang, Li Danlin and Shi Jing were elected as external supervisor of the Bank. At the enlarged session of Trade Union Committee held on December 28, 2015, Liu Fulin and Chen Xinxiang were elected as internal supervisor of the Bank.

(3) Chen Yun resigned as non-executive director of the Bank from September 14, 2016.

(4) At the Shareholders' general meeting held on April 22, 2016, Deng Jianxin was elected as non-executive director of the Bank. At the Shareholders' interim general meeting held on October 28, 2016, Huang Zhenping was elected as internal director of the Bank.

(5) Jiang Liehui resigned as internal supervisor from September 15, 2017.

(6) At the Shareholders' general meeting held on July 12, 2017, Tang Xianqing was elected as non-executive directors of the Bank, Zhang Wangxia was elected as independent non-executive directors of the Bank. At the Shareholders' general meeting held on September 15, 2017, Wong Hinwing and Wang Yun were elected as independent non-executive directors of the Bank. Zhou Minhui was elected as internal supervisor of the Bank.

There was no amount paid during the Relevant Periods to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Relevant Periods.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2015 the five individuals with highest emolument included 5 directors. For the year ended to December 31, 2016 and 2017, the five individuals with highest emolument included 3 directors and 1 supervisors. Their emoluments are disclosed in Note 9.

The emoluments for the rest of the five highest paid individuals for the years ended December 31, 2015, 2016 and 2017 are as follows:

	Years ended December 31,		
	2015	2016	2017
Salaries and other emoluments	–	1,684	1,721
Discretionary bonuses	–	199	518
Contributions to pension schemes	–	14	15
Others	–	114	110
	–	2,011	2,364

The number of these individuals whose emoluments are within the following bands is set out below:

	Years ended December 31,		
	2015	2016	2017
HKD500,001-1,000,000	–	–	–
HKD1,000,001-1,500,000	–	–	–
HKD1,500,001-2,000,000	–	–	–
HKD2,000,001-2,500,000	–	1	1
HKD2,500,001-3,000,000	–	–	–
HKD3,000,001-3,500,000	–	–	–
Total	–	1	1

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the Relevant Periods.

11 IMPAIRMENT LOSSES ON ASSETS

	Years ended December 31,		
	2015	2016	2017
Loans and advances to customers	3,467,632	2,835,368	2,193,591
Investments classified as receivables	26,628	745,744	356,123
Others	21,644	33,381	26,088
Total	3,515,904	3,614,493	2,575,802

12 INCOME TAX

(a) Income tax:

	Note	Years ended December 31,		
		2015	**2016**	**2017**
Current tax		261,531	1,031,272	1,093,840
Deferred tax	*26(b)*	(68,759)	(295,703)	(267,555)
Total		192,772	735,569	826,285

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	Years ended December 31,		
		2015	**2016**	**2017**
Profit before tax		965,589	2,413,440	3,741,109
Statutory tax rate		25%	25%	25%
Income tax calculated at statutory tax rate		241,397	603,360	935,277
Non-deductible expenses		75,470	61,263	111,398
Non-taxable income	*(i)*	(23,808)	(68,527)	(252,273)
Adjustment for prior years		(158,543)	139,476	31,886
Others		58,256	(3)	(3)
Income tax		192,772	735,569	826,285

(i) The non-taxable income mainly represents the interest income arising from the PRC government bonds and realised gains from funds which are exempted from income tax, under Chinese tax regulations.

13 BASIC AND DILUTED EARNINGS PER SHARE

	Note	Years ended December 31,		
		2015	**2016**	**2017**
Net profit attributable to equity shareholders of the Bank		772,571	1,637,349	2,865,226
Weighted average number of ordinary shares (in thousands)	*(i)*	2,908,515	4,678,777	4,678,777
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.27	0.35	0.61

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the Relevant Periods.

(i) Weighted average number of ordinary shares (in thousands)

	Years ended December 31,		
	2015	**2016**	**2017**
Number of ordinary shares as at January 1	2,782,068	4,678,777	4,678,777
New added weighted average number of ordinary shares	126,447	–	–
Weighted average number of ordinary shares	2,908,515	4,678,777	4,678,777

14 CASH AND DEPOSITS WITH THE CENTRAL BANK

The Group and the Bank

	Note	At December 31,		
		2015	**2016**	**2017**
Cash on hand		546,565	677,669	797,249
Deposits with the central bank				
– Statutory deposit reserves	*(a)*	19,539,843	25,878,518	32,213,580
– Surplus deposit reserves	*(b)*	5,788,538	7,794,945	4,906,648
– Fiscal deposits		1,109,045	469,343	2,121,715
Sub-total		26,437,426	34,142,806	39,241,943
Total		26,983,991	34,820,475	40,039,192

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each of the Relevant Periods, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At December 31,		
	2015	**2016**	**2017**
Reserve ratio for RMB deposits	14.00%	13.50%	13.50%
Reserve ratio for foreign currency deposits	5%	5%	5%

The statutory deposit reserves are not available for the Bank's daily business.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

The Group

	At December 31,		
	2015	**2016**	**2017**
Deposits in mainland China			
– Banks	6,508,883	4,263,929	1,353,349
– Other financial institutions	41,118	20,670	11,998
Sub-total	6,550,001	4,284,599	1,365,347
Deposits outside mainland China			
– Banks	266,834	340,352	452,888
Sub-total	266,834	340,352	452,888
Total	6,816,835	4,624,951	1,818,235

The Bank

	At December 31,		
	2015	2016	2017
Deposits in mainland China			
– Banks	6,508,883	4,263,929	1,353,325
– Other financial institutions	41,118	20,670	11,998
Sub-total	6,550,001	4,284,599	1,365,323
Deposits outside mainland China			
– Banks	266,834	340,352	452,888
Sub-total	266,834	340,352	452,888
Total	6,816,835	4,624,951	1,818,211

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group

	At December 31,		
	2015	2016	2017
Placements in mainland China			
– Other financial institutions	–	–	500,000
Total	–	–	500,000

The Bank

	At December 31,		
	2015	2016	2017
Placements in mainland China			
– Other financial institutions	110,000	–	920,000
Total	110,000	–	920,000

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysed by type of investment and geographical location

The Group and the Bank

	At December 31,		
	2015	2016	2017
Issued by entities in Mainland China			
– Government bonds	–	–	29,084
– Policy banks bonds	–	28,852	374,756
– Commercial banks and other financial institutions bonds	2,507,479	–	9,984
– Corporate bonds	2,860,196	42,462	173,993
Total	5,367,675	71,314	587,817
Unlisted	5,367,675	71,314	587,817
Total	5,367,675	71,314	587,817

As at the end of each of the Relevant Periods, no investments were subject to material restrictions on the realization.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by type and location of counterparty

The Group and the Bank

	At December 31,		
	2015	2016	2017
In mainland China			
– Banks	8,593,503	5,064,000	5,880,161
– Other financial institutions	1,500,000	594,039	299,923
Total	10,093,503	5,658,039	6,180,084

(b) Analyzed by type of security held

The Group and the Bank

	At December 31,		
	2015	2016	2017
Securities			
– Government bonds	1,870,000	2,000,000	1,094,380
– Policy Banks bonds	4,626,000	3,606,589	4,785,781
– Commercial banks and other financial institutions bonds	–	–	100,000
– Corporate bonds	–	51,450	199,923
Sub-total	6,496,000	5,658,039	6,180,084
Bank acceptances	3,597,503	–	–
Total	10,093,503	5,658,039	6,180,084

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by nature

The Group

	At December 31,		
	2015	2016	2017
Corporate loans and advances	63,538,668	78,156,273	82,109,036
Personal loans and advances			
– Residential mortgage	10,955,377	15,147,245	25,562,847
– Personal business loans	5,740,359	5,215,269	6,008,981
– Personal consumption loans	1,934,221	4,314,829	9,212,175
– Credit cards	373,422	1,701,377	3,242,153
Sub-total	19,003,379	26,378,720	44,026,156
Discounted bills	3,099,755	3,448,228	3,206,520
Gross loans and advances to customers	85,641,802	107,983,221	129,341,712
Less: Provision for impairment losses			
– Individually assessed	(979,977)	(839,651)	(1,265,205)
– Collectively assessed	(2,408,397)	(2,989,925)	(3,307,129)
Total provision for impairment losses	(3,388,374)	(3,829,576)	(4,572,334)
Net loans and advances to customers	82,253,428	104,153,645	124,769,378

The Bank

	At December 31,		
	2015	2016	2017
Corporate loans and advances	61,879,414	71,198,195	72,397,778
Personal loans and advances			
– Residential mortgage	10,955,377	15,147,245	25,562,847
– Personal business loans	5,740,359	5,215,269	6,008,981
– Personal consumption loans	1,934,221	4,314,829	9,212,175
– Credit cards	373,422	1,701,377	3,242,153
Sub-total	19,003,379	26,378,720	44,026,156
Discounted bills	3,099,755	3,448,228	3,206,520
Gross loans and advances to customers	83,982,548	101,025,143	119,630,454
Less: Provision for impairment losses			
– Individually assessed	(979,977)	(839,651)	(1,265,205)
– Collectively assessed	(2,389,843)	(2,893,772)	(3,133,403)
Total provision for impairment losses	(3,369,820)	(3,733,423)	(4,398,608)
Net loans and advances to customers	80,612,728	97,291,720	115,231,846

(b) Analyzed by industry sector

The Group

	At December 31, 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	20,390,625	23.81%	6,697,713
Real estate	8,989,907	10.50%	5,995,677
Construction	8,752,033	10.22%	2,815,120
Manufacturing	8,391,802	9.80%	2,989,513
Leasing and commercial services	4,380,794	5.11%	1,554,358
Water conservancy, environment and public facility management	3,530,797	4.12%	1,589,009
Accommodation and catering	1,557,885	1.82%	1,131,440
Transportation, storage and postal services	1,456,404	1.70%	50,626
Education	1,382,666	1.61%	–
Agriculture, forestry, animal husbandry and fishery	1,333,127	1.56%	553,189
Others	3,372,628	3.94%	734,924
Sub-total of corporate loans and advances	63,538,668	74.19%	24,111,569
Personal loans and advances	19,003,379	22.19%	12,708,842
Discounted bills	3,099,755	3.62%	–
Gross loans and advances to customers	85,641,802	100.00%	36,820,411
Less: Provision for impairment losses			
– Individually assessed	(979,977)		
– Collectively assessed	(2,408,397)		
Total provision for impairment losses	(3,388,374)		
Net loans and advances to customers	82,253,428		

The Group

	At December 31, 2016		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	21,181,999	19.62%	5,377,085
Manufacturing	11,304,342	10.47%	3,523,871
Water conservancy, environment and public facility management	10,112,296	9.36%	3,351,634
Construction	8,985,999	8.32%	2,484,493
Leasing and commercial services	7,567,061	7.01%	1,750,790
Real estate	7,026,692	6.51%	4,707,547
Transportation, storage and postal services	1,817,127	1.68%	563,304
Accommodation and catering	1,614,571	1.50%	1,038,942
Education	1,614,066	1.49%	203,000
Agriculture, forestry, animal husbandry and fishery	1,410,966	1.31%	634,027
Others	5,521,154	5.11%	1,241,524
Sub-total of corporate loans and advances	78,156,273	72.38%	24,876,217
Personal loans and advances	26,378,720	24.43%	16,727,874
Discounted bills	3,448,228	3.19%	–
Gross loans and advances to customers	107,983,221	100.00%	41,604,091
Less: Provision for impairment losses			
– Individually assessed	(839,651)		
– Collectively assessed	(2,989,925)		
Total provision for impairment losses	(3,829,576)		
Net loans and advances to customers	104,153,645		

The Group

	At December 31, 2017		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	19,320,739	14.94%	5,121,101
Water conservancy, environment and public facility management	14,806,318	11.45%	4,514,312
Manufacturing	9,761,682	7.55%	3,342,673
Leasing and commercial services	9,574,652	7.40%	3,022,850
Real estate	7,893,656	6.10%	3,756,601
Construction	7,795,150	6.03%	2,455,878
Transportation, storage and postal services	1,787,057	1.38%	1,028,793
Accommodation and catering	1,754,420	1.36%	1,283,348
Education	1,424,210	1.10%	246,000
Health, social security and social welfare	1,401,310	1.08%	220,159
Others	6,589,842	5.09%	1,333,310
Sub-total of corporate loans and advances	82,109,036	63.48%	26,325,025
Personal loans and advances	44,026,156	34.04%	26,889,839
Discounted bills	3,206,520	2.48%	–
Gross loans and advances to customers	129,341,712	100.00%	53,214,864
Less: Provision for impairment losses			
– Individually assessed	(1,265,205)		
– Collectively assessed	(3,307,129)		
Total provision for impairment losses	(4,572,334)		
Net loans and advances to customers	124,769,378		

The Bank

	At December 31, 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	20,390,625	24.28%	6,697,713
Real estate	8,989,907	10.70%	5,995,677
Construction	8,501,794	10.12%	2,815,120
Manufacturing	7,773,733	9.26%	2,331,052
Leasing and commercial services	4,380,794	5.22%	1,554,358
Water conservancy, environment and public facility management	3,229,528	3.85%	978,452
Accommodation and catering	1,557,885	1.86%	1,131,440
Transportation, storage and postal services	1,456,404	1.73%	50,626
Education	1,382,666	1.65%	–
Agriculture, forestry, animal husbandry and fishery	1,333,127	1.59%	553,189
Others	2,882,951	3.43%	344,688
Sub-total of corporate loans and advances	61,879,414	73.69%	22,452,315
Personal loans and advances	19,003,379	22.62%	12,708,842
Discounted bills	3,099,755	3.69%	–
Gross loans and advances to customers	83,982,548	100.00%	35,161,157
Less: Provision for impairment losses			
– Individually assessed	(979,977)		
– Collectively assessed	(2,389,843)		
Total provision for impairment losses	(3,369,820)		
Net loans and advances to customers	80,612,728		

The Bank

	At December 31, 2016		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	21,051,832	20.84%	5,246,918
Manufacturing	9,417,076	9.32%	1,636,605
Construction	8,985,999	8.90%	2,484,493
Water conservancy, environment and public facility management	7,741,261	7.66%	980,600
Leasing and commercial services	7,039,933	6.97%	1,223,662
Real estate	7,026,692	6.96%	4,707,547
Accommodation and catering	1,614,571	1.60%	1,038,942
Education	1,415,066	1.40%	4,000
Transportation, storage and postal services	1,302,970	1.29%	49,147
Agriculture, forestry, animal husbandry and fishery	1,174,964	1.16%	398,026
Others	4,427,831	4.38%	148,200
Sub-total of corporate loans and advances	71,198,195	70.48%	17,918,140
Personal loans and advances	26,378,720	26.11%	16,727,874
Discounted bills	3,448,228	3.41%	–
Gross loans and advances to customers	101,025,143	100.00%	34,646,014
Less: Provision for impairment losses			
– Individually assessed	(839,651)		
– Collectively assessed	(2,893,772)		
Total provision for impairment losses	(3,733,423)		
Net loans and advances to customers	97,291,720		

The Bank

	At December 31, 2017		
	Amount	**Percentage**	**Loans and advances secured by collaterals**
Wholesale and retail trade	19,256,739	16.10%	5,057,101
Water conservancy, environment and public facility management	10,631,306	8.89%	339,300
Leasing and commercial services	8,245,321	6.89%	1,693,518
Manufacturing	8,078,244	6.75%	1,659,236
Real estate	7,893,656	6.60%	3,756,601
Construction	7,645,150	6.39%	2,305,877
Accommodation and catering	1,754,420	1.47%	1,283,348
Public administration, social security and social organizations	1,262,000	1.05%	–
Health, social security and social welfare	1,184,852	0.99%	3,700
Education	1,182,210	0.99%	4,000
Others	5,263,880	4.40%	511,086
Sub-total of corporate loans and advances	72,397,778	60.52%	16,613,767
Personal loans and advances	44,026,156	36.80%	26,889,839
Discounted bills	3,206,520	2.68%	–
Gross loans and advances to customers	119,630,454	100.00%	43,503,606
Less: Provision for impairment losses			
– Individually assessed	(1,265,205)		
– Collectively assessed	(3,133,403)		
Total provision for impairment losses	(4,398,608)		
Net loans and advances to customers	115,231,846		

As at the end of each of the Relevant Periods and during the respective periods, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

The Group

	At December 31, 2015				
	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 trade	795,291	(645,075)	(842,320)	(1,761,475)	749,272
Real estate	47,100	(44,902)	(256,057)	(240,367)	–
Construction	46,468	(36,766)	(158,515)	(147,959)	17,765

	At December 31, 2016				
	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 trade	937,259	(584,779)	(859,351)	(1,215,359)	700,034
Manufacturing	151,849	(121,399)	(351,749)	(439,776)	211,256

	At December 31, 2017				
	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 trade	1,158,994	(967,387)	(923,486)	(1,480,383)	619,687
Water conservancy, environment and public facility management	–	–	(218,886)	(63,581)	–

The Bank

	At December 31, 2015				
	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 trade	795,291	(645,075)	(842,320)	(1,761,475)	749,272
Real estate	47,100	(44,902)	(256,057)	(240,367)	–
Construction	46,468	(36,766)	(158,515)	(147,959)	17,765

	At December 31, 2016				
	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 trade	937,259	(584,779)	(858,049)	(1,214,057)	700,034

	At December 31, 2017				
	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 trade	1,158,994	(967,387)	(922,846)	(1,481,045)	619,687

(c) Analyzed by type of collateral

The Group

	At December 31,		
	2015	2016	2017
Unsecured loans	5,116,243	10,697,816	17,232,304
Guaranteed loans	38,885,438	46,547,063	50,492,547
Collateralised	36,902,390	41,604,091	53,214,864
Pledged	4,737,731	9,134,251	8,401,997
Gross loans and advances to customers	85,641,802	107,983,221	129,341,712
Less: Provision for impairment losses			
– Individually assessed	(979,977)	(839,651)	(1,265,205)
– Collectively assessed	(2,408,397)	(2,989,925)	(3,307,129)
Total provision for impairment losses	(3,388,374)	(3,829,576)	(4,572,334)
Net loans and advances to customers	82,253,428	104,153,645	124,769,378

The Bank

	At December 31,		
	2015	**2016**	**2017**
Unsecured loans	5,116,243	10,697,816	17,232,304
Guaranteed loans	38,885,438	46,547,063	50,492,547
Collateralised	35,243,136	34,646,013	43,503,606
Pledged	4,737,731	9,134,251	8,401,997
Gross loans and advances to customers	83,982,548	101,025,143	119,630,454
Less: Provision for impairment losses			
– Individually assessed	(979,977)	(839,651)	(1,265,205)
– Collectively assessed	(2,389,843)	(2,893,772)	(3,133,403)
Total provision for impairment losses	(3,369,820)	(3,733,423)	(4,398,608)
Net loans and advances to customers	80,612,728	97,291,720	115,231,846

(d) Overdue loans analyzed by overdue period

The Group

	At December 31, 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	8,424	2,648	1,985	250	13,307
Guaranteed loans	1,712,380	1,181,976	839,771	–	3,734,127
Collateralised	1,247,915	652,023	431,689	2,520	2,334,147
Pledged	66,950	32,000	8,890	125	107,965
Total	3,035,669	1,868,647	1,282,335	2,895	6,189,546
As a percentage of gross loans and advances to customers	3.54%	2.18%	1.50%	0.00%	7.22%

	At December 31, 2016				
	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	16,305	9,089	3,964	930	30,288
Guaranteed loans	2,482,909	480,344	696,907	15,761	3,675,921
Collateralised	1,567,696	554,780	565,639	3,996	2,692,111
Pledged	27,500	3,040	34,650	–	65,190
Total	4,094,410	1,047,253	1,301,160	20,687	6,463,510
As a percentage of gross loans and advances to customers	3.79%	0.97%	1.20%	0.02%	5.98%

	At December 31, 2017				
	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	63,972	44,489	15,276	816	124,553
Guaranteed loans	2,267,838	701,861	445,735	14,150	3,429,584
Collateralised	1,181,170	289,712	427,293	173,769	2,071,944
Pledged	43,158	137,402	13,100	8,590	202,250
Total	3,556,138	1,173,464	901,404	197,325	5,828,331
As a percentage of gross loans and advances to customers	2.75%	0.91%	0.70%	0.15%	4.51%

The Bank

	At December 31, 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	8,424	2,648	1,985	250	13,307
Guaranteed loans	1,712,380	1,181,976	839,771	–	3,734,127
Collateralised	1,247,915	652,023	431,689	2,520	2,334,147
Pledged	66,950	32,000	8,890	125	107,965
Total	3,035,669	1,868,647	1,282,335	2,895	6,189,546
As a percentage of gross loans and advances to customers	3.61%	2.23%	1.53%	0.00%	7.37%

	At December 31, 2016				
	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	16,305	9,089	3,964	930	30,288
Guaranteed loans	2,482,909	480,344	696,907	15,761	3,675,921
Collateralised	1,567,696	554,780	565,639	3,996	2,692,111
Pledged	27,500	3,040	34,650	–	65,190
Total	4,094,410	1,047,253	1,301,160	20,687	6,463,510
As a percentage of gross loans and advances to customers	4.05%	1.04%	1.29%	0.02%	6.40%

	At December 31, 2017				
	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	63,972	44,489	15,276	816	124,553
Guaranteed loans	2,267,838	701,861	445,735	14,150	3,429,584
Collateralised	1,181,170	289,712	427,293	173,769	2,071,944
Pledged	43,158	137,402	13,100	8,590	202,250
Total	3,556,138	1,173,464	901,404	197,325	5,828,331
As a percentage of gross loans and advances to customers	2.97%	0.98%	0.75%	0.16%	4.86%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

(e) Loans and advances and provision for impairment losses

The Group

	At December 31, 2015				
		Impaired loans and advances *(Note (ii))*			
	Loans and advances for which provision are collectively assessed *(Note (i))*	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	84,094,120	339,949	1,207,733	85,641,802	1.81%
Less: Provision for impairment losses	(2,121,439)	(286,958)	(979,977)	(3,388,374)	
Net loans and advances to customers	81,972,681	52,991	227,756	82,253,428	

The Group

	At December 31, 2016				
		Impaired loans and advances *(Note (ii))*			
	Loans and advances for which provision are collectively assessed *(Note (i))*	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	106,167,758	516,270	1,299,193	107,983,221	1.68%
Less: Provision for impairment losses	(2,534,465)	(455,460)	(839,651)	(3,829,576)	
Net loans and advances to customers	103,633,293	60,810	459,542	104,153,645	

	At December 31, 2017				
		Impaired loans and advances *(Note (ii))*			
	Loans and advances for which provision are collectively assessed *(Note (i))*	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	127,216,693	583,633	1,541,386	129,341,712	1.64%
Less: Provision for impairment losses	(2,817,931)	(489,198)	(1,265,205)	(4,572,334)	
Net loans and advances to customers	124,398,762	94,435	276,181	124,769,378	

The Bank

	At December 31, 2015				
		Impaired loans and advances *(Note (ii))*			
	Loans and advances for which provision are collectively assessed *(Note (i))*	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	82,434,866	339,949	1,207,733	83,982,548	1.84%
Less: Provision for impairment losses	(2,102,885)	(286,958)	(979,977)	(3,369,820)	
Net loans and advances to customers	80,331,981	52,991	227,756	80,612,728	

	At December 31, 2016				
		Impaired loans and advances *(Note (ii))*			
	Loans and advances for which provision are collectively assessed *(Note (i))*	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	99,209,680	516,270	1,299,193	101,025,143	1.80%
Less: Provision for impairment losses	(2,438,312)	(455,460)	(839,651)	(3,733,423)	
Net loans and advances to customers	96,771,368	60,810	459,542	97,291,720	

	At December 31, 2017				
		Impaired loans and advances *(Note (ii))*			
	Loans and advances for which provision are collectively assessed *(Note (i))*	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	117,505,435	583,633	1,541,386	119,630,454	1.78%
Less: Provision for impairment losses	(2,644,205)	(489,198)	(1,265,205)	(4,398,608)	
Net loans and advances to customers	114,861,230	94,435	276,181	115,231,846	

(i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.

(ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the 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 45(a).

(iv) As at December 31, 2015, 2016 and 2017, impaired loans and advances of the Group and the Bank for which the impairment allowances were individually assessed amounted to RMB1,207.73 million, RMB1,299.19 million and RMB1,541.39 million, respectively. The covered portion of these loans and advances were RMB270.10 million, RMB509.59 million and RMB496.50 million, respectively. The uncovered portion of these loans and advances were RMB937.63 million, RMB789.60 million and RMB1,044.89 million, respectively. The fair value of collateral held against these loans and advances amounted to RMB234.36 million, RMB411.89 million and RMB286.19 million, respectively. As at December 31, 2015, 2016 and 2017, the individual impairment allowances made for these loans and advances were RMB979.98 million, RMB839.65 million and RMB1,265.21 million, respectively.

(f) Movements of provision for impairment losses

The Group

	Year ended December 31, 2015			
		Provision for impaired loans and advances		
	Provision for loans and advances which are collectively assessed	Which are collectively assessed	Which are individually assessed	Total
As at January 1	1,376,959	112,976	701,623	2,191,558
Charge for the year	605,096	224,537	2,823,625	3,653,258
Release for the year	–	–	(185,626)	(185,626)
Transfer out	–	–	(1,083,424)	(1,083,424)
Recoveries	–	615	32,054	32,669
Additions relating to acquisition of Business	139,384	36,710	23,243	199,337
Write-offs	–	(87,880)	(987,223)	(1,075,103)
Unwinding of discount	–	–	(344,295)	(344,295)
As at December 31	2,121,439	286,958	979,977	3,388,374

	Year ended December 31, 2016			
		Provision for impaired loans and advances		
	Provision for loans and advances which are collectively assessed	Which are collectively assessed	Which are individually assessed	Total
As at January 1	2,121,439	286,958	979,977	3,388,374
Charge for the year	413,026	293,242	2,382,062	3,088,330
Release for the year	–	–	(252,962)	(252,962)
Transfer out	–	–	(828,965)	(828,965)
Recoveries	–	5,380	64,036	69,416
Write-offs	–	(130,120)	(1,044,193)	(1,174,313)
Unwinding of discount	–	–	(460,304)	(460,304)
As at December 31	2,534,465	455,460	839,651	3,829,576

	At December 31, 2017			
		Provision for impaired loans and advances		
	Provision for loans and advances which are collectively assessed	Which are collectively assessed	Which are individually assessed	Total
As at January 1	2,534,465	455,460	839,651	3,829,576
Charge for the period	283,466	125,919	2,180,953	2,590,338
Release for the period	–	–	(396,747)	(396,747)
Transfer out	–	–	(562,594)	(562,594)
Recoveries	–	15,707	189,953	205,660
Write-offs	–	(107,888)	(839,408)	(947,296)
Unwinding of discount	–	–	(146,603)	(146,603)
As at December 31	2,817,931	489,198	1,265,205	4,572,334

The Bank

	Year ended December 31, 2015			
		Provision for impaired loans and advances		
	Provision for loans and advances which are collectively assessed	Which are collectively assessed	Which are individually assessed	Total
As at January 1	1,376,959	112,976	701,623	2,191,558
Charge for the year	586,542	224,537	2,823,625	3,634,704
Release for the year	–	–	(185,626)	(185,626)
Transfer out	–	–	(1,083,424)	(1,083,424)
Recoveries	–	615	32,054	32,669
Additions relating to acquisition of business	139,384	36,710	23,243	199,337
Write-offs	–	(87,880)	(987,223)	(1,075,103)
Unwinding of discount	–	–	(344,295)	(344,295)
As at December 31	2,102,885	286,958	979,977	3,369,820

	Year ended December 31, 2016			
		Provision for impaired loans and advances		
	Provision for loans and advances which are collectively assessed	Which are collectively assessed	Which are individually assessed	Total
As at January 1	2,102,885	286,958	979,977	3,369,820
Charge for the year	335,427	293,242	2,382,062	3,010,731
Release for the year	–	–	(252,962)	(252,962)
Transfer out	–	–	(828,965)	(828,965)
Recoveries	–	5,380	64,036	69,416
Write-offs	–	(130,120)	(1,044,193)	(1,174,313)
Unwinding of discount	–	–	(460,304)	(460,304)
As at December 31	2,438,312	455,460	839,651	3,733,423

	At December 31, 2017			
		Provision for impaired loans and advances		
	Provision for loans and advances which are collectively assessed	Which are collectively assessed	Which are individually assessed	Total
As at January 1	2,438,312	455,460	839,651	3,733,423
Charge for the year	205,893	125,919	2,180,953	2,512,765
Release for the year	–	–	(396,747)	(396,747)
Transfer out	–	–	(562,594)	(562,594)
Recoveries	–	15,707	189,953	205,660
Write-offs	–	(107,888)	(839,408)	(947,296)
Unwinding of discount	–	–	(146,603)	(146,603)
As at December 31	2,644,205	489,198	1,265,205	4,398,608

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Analysed by type of investment and geographical location

The Group

	Note	At December 31,		
		2015	2016	2017
Debt securities issued by the following institutions in mainland China				
– Government bonds		–	4,199,229	4,808,430
– Policy banks bonds		2,585,243	393,453	4,362,003
– Commercial banks and other financial institutions bonds		660,098	1,035,857	895,748
– Corporate bonds		356,550	2,359,267	904,007
Subtotal		3,601,891	7,987,806	10,970,188
Unlisted		3,601,891	7,987,806	10,970,188
Wealth management product issued by financial institutions – unlisted		499,980	3,783,383	711,350
Fund investments – unlisted		213,380	26,995,957	14,730,308
Equity investments at cost – unlisted	*(a)*	10,250	10,250	10,250
Investment management products managed by securities companies and trust plans – unlisted		7,678,945	35,837,708	33,184,052
Total		12,004,446	74,615,104	59,606,148

The Bank

	Note	At December 31, 2015	2016	2017
Debt securities issued by the following institutions in mainland China				
– Government bonds		–	4,199,229	4,808,430
– Policy banks bonds		2,585,243	393,453	4,362,003
– Commercial banks and other financial institutions bonds		660,098	1,035,857	895,748
– Corporate bonds		356,550	2,359,267	904,007
Subtotal		3,601,891	7,987,806	10,970,188
Unlisted		3,601,891	7,987,806	10,970,188
Wealth management product issued by financial institutions – unlisted		299,980	3,783,383	711,350
Fund investments – unlisted		213,380	26,995,957	14,730,308
Equity investments at cost – unlisted	*(a)*	10,250	10,250	10,250
Investment management products managed by securities companies and trust plans – unlisted		7,678,945	35,837,708	33,184,052
Total		11,804,446	74,615,104	59,606,148

(a) 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 losses.

(b) As at the end of each of the Relevant Periods, certain available-for-sale financial assets were pledged for repurchase agreements (Note 28(a)). No other investments were subject to material restrictions on the realization.

21 HELD-TO-MATURITY INVESTMENTS

Analysed by type of investment and geographical location

The Group and the Bank

	At December 31, 2015	2016	2017
Debt securities issued by the following institutions in mainland China			
– Government bonds	5,662,786	5,871,783	8,001,796
– Policy banks bonds	10,923,646	14,191,399	16,888,590
– Commercial banks and other financial institutions bonds	–	–	730,000
Total	16,586,432	20,063,182	25,620,386
Unlisted	16,586,432	20,063,182	25,620,386
Total	16,586,432	20,063,182	25,620,386
Fair value	17,161,891	20,133,364	24,653,771

(a) As at the end of each of the Relevant Periods, certain held-to-maturity investments were pledged as security for repurchase agreements (Note 28(a)).

(b) The Group did not dispose of material held-to-maturity debt investments prior to their maturity dates during the Relevant Periods.

22 INVESTMENTS CLASSIFIED AS RECEIVABLES

Analysed by type of investment and geographical location

The Group

	At December 31,		
	2015	2016	2017
Debt securities issued by the following institutions in mainland China			
– Government bonds	24,764	–	–
Subtotal	24,764	–	–
Unlisted	24,764	–	–
Wealth management products issued by financial institutions			
– unlisted	1,012,494	2,026,649	3,308,932
Investment management products managed by securities companies and trust plans			
– unlisted	45,459,603	62,074,299	101,181,182
Total	46,496,861	64,100,948	104,490,114
Less: Provision for impairment losses	(772,838)	(1,518,582)	(1,874,705)
Net carrying amount	45,724,023	62,582,366	102,615,409

The Bank

	At December 31,		
	2015	2016	2017
Debt securities issued by the following institutions in mainland China			
– Government bonds	24,764	–	–
Subtotal	24,764	–	–
Unlisted	24,764	–	–
Wealth management products issued by financial institutions			
– unlisted	1,012,494	2,026,649	3,308,932
Investment management products managed by securities companies and trust plans			
– unlisted	45,259,091	61,085,258	100,026,602
Total	46,296,349	63,111,907	103,335,534
Less: Provision for impairment losses	(772,838)	(1,510,775)	(1,859,161)
Net carrying amount	45,523,511	61,601,132	101,476,373

23 INTEREST IN ASSOCIATES

The Group and the Bank

	Note	At December 31,		
		2015	**2016**	**2017**
Nanchang Dafeng County Bank Co., Ltd. ("南昌大豐村鎮銀行有限責任公司")	*(a)*	59,653	62,495	71,801
Nanfeng Judu County Bank Co., Ltd. ("南豐桔都村鎮銀行有限責任公司")	*(b)*	18,622	18,052	17,591
Si Ping Tie Dong De Feng County Bank Co., Ltd. ("四平鐵東德豐村鎮銀行股份有限公司")	*(c)*	14,130	15,183	16,760
Guangchang Nanyin County Bank Co., Ltd. ("廣昌南銀村鎮銀行股份有限公司")	*(d)*	12,880	14,096	13,790
Jinxian Ruifeng County Bank Co., Ltd. ("進賢瑞豐村鎮銀行有限責任公司")	*(e)*	10,834	7,414	9,324
Total		116,119	117,240	129,266

(a) Nanchang Dafeng County Bank Co., Ltd. ("Nanchang Dafeng") was incorporated on September 30, 2010 at Nanchang County, Jiangxi Province, with registered capital of RMB220.00 million. The principal activities of Nanchang Dafeng are the provision of corporate and retail banking services. The Bank holds 28.18% of equity interest of Nanchang Dafeng.

(b) Nanfeng Judu County Bank Co., Ltd. ("Nanfeng Judu") was incorporated on December 20, 2011 at Nanfeng County, Fuzhou, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Nanfeng Judu are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Nanfeng Judu.

(c) Si Ping Tie Dong De Feng County Bank Co., Ltd. ("Si Ping De Feng") was incorporated on July 22, 2011 at Si Ping,Jilin Province, with registered capital of RMB30.00 million. The principal activities of Si Ping De Feng are the provision of corporate and retail banking services. The Bank holds 20% of equity interest of Si Ping De Feng.

(d) Guangchang Nanyin County Bank Co., Ltd. ("Guangchang Nanyin") was incorporated on December 30, 2013 at Fuzhou, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Guangchang Nanyin are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Guangchang Nanyin.

(e) Jinxian Ruifeng County Bank Co., Ltd. ("Jinxian Ruifeng") was incorporated on June 15, 2012 at Jinxian County, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Jinxian Ruifeng are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Jinxian Ruifeng.

24 INVESTMENTS IN SUBSIDIARIES

The Bank

	At December 31,		
	2015	**2016**	**2017**
Jiangxi Financial Leasing Co., Ltd. ("江西金融租賃股份有限公司")	510,000	510,000	510,000

Jiangxi Financial Leasing Co., Ltd. ("JXFL") was incorporated on November 24, 2015 at Nanchang, Jiangxi Province, with registered capital of RMB1 billion. The principal activities of JXFL are finance lease services. As at December 31, 2017, the Bank holds 51% of equity interest of JXFL.

25 PROPERTY AND EQUIPMENT

The Group

	Premises	Construction in progress	Electronic equipments	Fixtures	Others	Total
Cost						
As at January 1, 2015	675,448	1,132,375	389,648	51,151	91,504	2,340,126
Additions	13	532,791	97,315	889	38,552	669,560
Transfers in/(out) of construction in progress	1,228,435	(1,421,434)	11,977	37,570	7,413	(136,039)
Addition relating to acquisition of Business	189,571	–	11,534	3,334	7,006	211,445
Disposals	–	–	(3,935)	(981)	(2,479)	(7,395)
As at December 31, 2015	2,093,467	243,732	506,539	91,963	141,996	3,077,697
As at January 1, 2016	2,093,467	243,732	506,539	91,963	141,996	3,077,697
Additions	5,422	268,938	81,082	10,912	40,251	406,605
Transfers in/(out) of construction in progress	23,305	(104,832)	5,028	2,166	586	(73,747)
Disposals	(1,577)	–	(4,891)	–	(2,232)	(8,700)
As at December 31, 2016	2,120,617	407,838	587,758	105,041	180,601	3,401,855
As at January 1, 2017	2,120,617	407,838	587,758	105,041	180,601	3,401,855
Additions	47,246	354,782	102,313	16,822	43,718	564,881
Transfers in/(out) of construction in progress	210,457	(385,497)	5,854	413	3,167	(165,606)
Disposals	(5,410)	–	(39,219)	(6)	(1,873)	(46,508)
As at December 31, 2017	2,372,910	377,123	656,706	122,270	225,613	3,754,622
Accumulated depreciation						
As at January 1, 2015	(196,124)	–	(252,713)	(31,972)	(50,730)	(531,539)
Charge for the year	(42,628)	–	(60,746)	(8,566)	(13,087)	(125,027)
Addition relating to acquisition of Business	(8,315)	–	(2,829)	(418)	(1,568)	(13,130)
Disposals	–	–	3,733	976	2,361	7,070
As at December 31, 2015	(247,067)	–	(312,555)	(39,980)	(63,024)	(662,626)
As at January 1, 2016	(247,067)	–	(312,555)	(39,980)	(63,024)	(662,626)
Charge for the year	(98,588)	–	(87,684)	(13,015)	(20,913)	(220,200)
Disposals	742	–	1,964	–	952	3,658
As at December 31, 2016	(344,913)	–	(398,275)	(52,995)	(82,985)	(879,168)
As at January 1, 2017	(344,913)	–	(398,275)	(52,995)	(82,985)	(879,168)
Charge for the year	(101,483)	–	(97,916)	(14,821)	(26,015)	(240,235)
Disposals	1,840	–	4,359	6	1,473	7,678
As at December 31, 2017	(444,556)	–	(491,832)	(67,810)	(107,527)	(1,111,725)
Impairment						
As at January 1, 2015	(169)	(1,791)	–	–	–	(1,960)
Additions	–	–	–	–	–	–
As at December 31, 2015	(169)	(1,791)	–	–	–	(1,960)
As at January 1, 2016	(169)	(1,791)	–	–	–	(1,960)
Additions	–	–	–	–	–	–
As at December 31, 2016	(169)	(1,791)	–	–	–	(1,960)
As at January 1, 2017	(169)	(1,791)	–	–	–	(1,960)
Additions	–	–	–	–	–	–
Disposals	169	1,791	–	–	–	1,960
As at December 31, 2017	–	–	–	–	–	–
Net book value						
As at December 31, 2015	1,846,231	241,941	193,984	51,983	78,972	2,413,111
As at December 31, 2016	1,775,535	406,047	189,483	52,046	97,616	2,520,727
As at December 31, 2017	1,928,354	377,123	164,874	54,460	118,086	2,642,897

The Bank

	Premises	Construction in progress	Electronic equipments	Fixtures	Others	Total
Cost						
As at January 1, 2015	675,448	1,132,375	389,648	51,151	91,504	2,340,126
Additions	13	532,791	96,920	889	38,027	668,640
Transfers in/(out) of construction in progress	1,228,435	(1,421,434)	11,977	37,570	7,413	(136,039)
Addition relating to acquisition of Business	189,571	–	11,534	3,334	7,006	211,445
Disposals	–	–	(3,935)	(981)	(2,479)	(7,395)
As at December 31, 2015	2,093,467	243,732	506,144	91,963	141,471	3,076,777
As at January 1, 2016	2,093,467	243,732	506,144	91,963	141,471	3,076,777
Additions	5,422	268,938	79,739	10,912	39,257	404,268
Transfers in/(out) of construction in progress	23,305	(104,832)	5,028	2,166	586	(73,747)
Disposals	(1,577)	–	(4,867)	–	(2,156)	(8,600)
As at December 31, 2016	2,120,617	407,838	586,044	105,041	179,158	3,398,698
As at January 1, 2017	2,120,617	407,838	586,044	105,041	179,158	3,398,698
Additions	47,246	354,782	99,938	16,822	43,718	562,506
Transfers in/(out) of construction in progress	210,457	(385,497)	5,854	413	3,167	(165,606)
Disposals	(5,410)	–	(39,219)	(6)	(1,811)	(46,446)
As at December 31, 2017	2,372,910	377,123	652,617	122,270	224,232	3,749,152
Accumulated depreciation						
As at January 1, 2015	(196,124)	–	(252,713)	(31,972)	(50,730)	(531,539)
Charge for the year	(42,628)	–	(60,746)	(8,566)	(13,087)	(125,027)
Addition relating to acquisition of Business	(8,315)	–	(2,829)	(418)	(1,568)	(13,130)
Disposals	–	–	3,733	976	2,361	7,070
As at December 31, 2015	(247,067)	–	(312,555)	(39,980)	(63,024)	(662,626)
As at January 1, 2016	(247,067)	–	(312,555)	(39,980)	(63,024)	(662,626)
Charge for the year	(98,588)	–	(87,336)	(13,015)	(20,727)	(219,666)
Disposals	742	–	1,964	–	952	3,658
As at December 31, 2016	(344,913)	–	(397,927)	(52,995)	(82,799)	(878,634)
As at January 1, 2017	(344,913)	–	(397,927)	(52,995)	(82,799)	(878,634)
Charge for the year	(101,483)	–	(96,964)	(14,821)	(25,750)	(239,018)
Disposals	1,840	–	4,359	6	1,473	7,678
As at December 31, 2017	(444,556)	–	(490,532)	(67,810)	(107,076)	(1,109,974)
Impairment						
As at January 1, 2015	(169)	(1,791)	–	–	–	(1,960)
Additions	–	–	–	–	–	–
As at December 31, 2015	(169)	(1,791)	–	–	–	(1,960)
As at January 1, 2016	(169)	(1,791)	–	–	–	(1,960)
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
As at December 31, 2016	(169)	(1,791)	–	–	–	(1,960)
As at January 1, 2017	(169)	(1,791)	–	–	–	(1,960)
Additions	–	–	–	–	–	–
Disposals	169	1,791	–	–	–	1,960
As at December 31, 2017	–	–	–	–	–	–
Net book value						
As at December 31, 2015	1,846,231	241,941	193,589	51,983	78,447	2,412,191
As at December 31, 2016	1,775,535	406,047	188,117	52,046	96,359	2,518,104
As at December 31, 2017	1,928,354	377,123	162,085	54,460	117,156	2,639,178

As at the end of each of the Relevant Periods, the net book values of premises of which title deeds were not yet finalised were RMB135 million, RMB140 million and RMB310 million, respectively. The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant cost in obtaining the title deeds.

The net book values of premises at the end of each of the Relevant Periods are analyzed by the remaining terms of the leases as follows:

The Group and the Bank

	At December 31,		
	2015	**2016**	**2017**
Held in mainland China			
– Medium-term leases (10 – 50 years)	1,846,231	1,775,535	1,928,354

26 DEFERRED TAX ASSETS AND LIABILITIES

(a) Analyzed by nature

The Group

	At December 31,		
	2015	**2016**	**2017**
Deferred tax assets	875,395	1,172,254	1,522,569
Deferred tax liabilities	(49,419)	(25,627)	–
Net balances	825,976	1,146,627	1,522,569

The Bank

	At December 31,		
	2015	**2016**	**2017**
Deferred tax assets	875,395	1,163,636	1,499,641
Deferred tax liabilities	(49,419)	(25,627)	–
Net balances	825,976	1,138,009	1,499,641

(b) **Movements of deferred tax**

The Group

	Provision for impairment losses	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments	Others	Net balance of deferred tax assets
	Note (i)		*Note (ii)*		
January 1, 2015	645,990	75,496	3,632	11,447	736,565
Addition relating to acquisition of Business	53,924	9,403	–	(27,213)	36,114
Recognized in profit or loss	133,638	(54,256)	(10,994)	371	68,759
Recognized in other comprehensive income	–	–	(15,462)	–	(15,462)
December 31, 2015	833,552	30,643	(22,824)	(15,395)	825,976
Recognized in profit or loss	244,356	14,151	8,840	28,356	295,703
Recognized in other comprehensive income	–	–	24,948	–	24,948
December 31, 2016	1,077,908	44,794	10,964	12,961	1,146,627
Recognized in profit or loss	218,613	(232)	1,983	47,191	267,555
Recognized in other comprehensive income	–	–	108,387	–	108,387
December 31, 2017	1,296,521	44,562	121,334	60,152	1,522,569

The Bank

	Provision for impairment losses	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments	Others	Net balance of deferred tax assets
	Note (i)		*Note (ii)*		
January 1, 2015	645,990	75,496	3,632	11,447	736,565
Addition relating to acquisition of Business	53,924	9,403	–	(27,213)	36,114
Recognized in profit or loss	133,638	(54,256)	(10,994)	371	68,759
Recognized in other comprehensive income	–	–	(15,462)	–	(15,462)
December 31, 2015	833,552	30,643	(22,824)	(15,395)	825,976
Recognized in profit or loss	235,762	14,151	8,840	28,332	287,085
Recognized in other comprehensive income	–	–	24,948	–	24,948
December 31, 2016	1,069,314	44,794	10,964	12,937	1,138,009
Recognized in profit or loss	204,347	(232)	1,983	47,147	253,245
Recognized in other comprehensive income	–	–	108,387	–	108,387
December 31, 2017	1,273,661	44,562	121,334	60,084	1,499,641

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the Relevant Periods. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the Relevant Periods, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realized.

27 OTHER ASSETS

The Group

	Note	At December 31, 2015	2016	2017
Interests receivable	*(a)*	911,635	1,316,539	1,498,904
Repossessed assets	*(b)*	267,218	279,341	264,016
Prepayments for acquisition of property and equipment		405,204	998,244	741,401
Long-term deferred expenses		233,149	291,374	331,258
Land use rights	*(c)*	158,041	152,868	155,876
Intangible assets	*(d)*	38,026	31,222	41,044
Settlement and clearing accounts		15,969	69,467	567,037
Investment property		14,274	13,923	13,807
Others		250,270	255,490	402,953
Gross balance		2,293,786	3,408,468	4,016,296
Less: Allowances for impairment losses		(30,515)	(41,346)	(42,379)
Net balance		2,263,271	3,367,122	3,973,917

The Bank

	Note	At December 31, 2015	2016	2017
Interests receivable	*(a)*	911,832	1,251,823	1,417,895
Repossessed assets	*(b)*	267,218	279,341	264,016
Prepayments for acquisition of property and equipment		404,406	404,504	527,267
Long-term deferred expenses		233,149	287,380	328,316
Land use rights	*(c)*	158,041	152,868	155,876
Intangible assets	*(d)*	38,026	30,604	40,680
Settlement and clearing accounts		15,969	69,467	567,037
Investment property		14,274	13,923	13,807
Others		240,239	107,673	292,152
Gross balance		2,283,154	2,597,583	3,607,046
Less: Allowances for impairment losses		(30,515)	(41,346)	(42,379)
Net balance		2,252,639	2,556,237	3,564,667

(a) Interests receivable

The Group

	At December 31,		
	2015	**2016**	**2017**
Interests receivable arising from:			
Investments	641,297	969,012	1,118,433
Loans and advances to customers	208,677	294,999	361,021
Others	61,661	52,528	19,450
Total	911,635	1,316,539	1,498,904

The Bank

	At December 31,		
	2015	**2016**	**2017**
Interests receivable arising from:			
Investments	641,297	966,321	1,114,953
Loans and advances to customers	208,677	232,974	283,373
Others	61,858	52,528	19,569
Total	911,832	1,251,823	1,417,895

(b) Repossessed assets

The Group and the Bank

	At December 31,		
	2015	**2016**	**2017**
Land use rights and buildings	124,556	124,556	109,231
Others	142,662	154,785	154,785
Total	267,218	279,341	264,016
Less: impairment allowances	(15,978)	(23,524)	(18,710)
Net repossessed assets	251,240	255,817	245,306

(c) Land use rights

The Group and the Bank

	At December 31,		
	2015	**2016**	**2017**
Located in Mainland China			
Over 50 years	25,310	24,934	24,465
10 – 50 years	132,731	127,934	131,411
Total	158,041	152,868	155,876

(d) Intangible assets

The Group

Cost	
As at January 1, 2015	37,332
Additions	2,755
Addition relating to acquisition of Business	38,996
Disposals	(11,805)
As at December 31, 2015	67,278
As at January 1, 2016	67,278
Additions	2,042
Disposals	–
As at December 31, 2016	69,320
As at January 1, 2017	69,320
Additions	18,473
Disposals	–
As at December 31, 2017	87,793
Accumulated amortization	
As at January 1, 2015	(22,987)
Charge for the year	(6,265)
Addition relating to acquisition of Business	(7,796)
Disposals	7,796
As at December 31, 2015	(29,252)
As at January 1, 2016	(29,252)
Charge for the year	(8,846)
Disposals	–
As at December 31, 2016	(38,098)
As at January 1, 2017	(38,098)
Charge for the year	(8,651)
Disposals	–
As at December 31, 2017	(46,749)
Net book value	
As at December 31, 2015	38,026
As at December 31, 2016	31,222
As at December 31, 2017	41,044

The Bank

Cost	
As at January 1, 2015	37,332
Additions	2,755
Addition relating to acquisition of Business	38,996
Disposals	(11,805)
As at December 31, 2015	67,278
As at January 1, 2016	67,278
Additions	1,280
Disposals	–
As at December 31, 2016	68,558
As at January 1, 2017	68,558
Additions	18,473
Disposals	–
As at December 31, 2017	87,031
Accumulated amortization	
As at January 1, 2015	(22,987)
Charge for the year	(6,265)
Addition relating to acquisition of Business	(7,796)
Disposals	7,796
As at December 31, 2015	(29,252)
As at January 1, 2016	(29,252)
Charge for the year	(8,702)
Disposals	–
As at December 31, 2016	(37,954)
As at January 1, 2017	(37,954)
Charge for the year	(8,397)
Disposals	–
As at December 31, 2017	(46,351)
Net book value	
As at December 31, 2015	38,026
As at December 31, 2016	30,604
As at December 31, 2017	40,680

Intangible assets include core deposit, real estate use rights, computer software, etc.

Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the present value of additional cash flow resulted from the use of the deposits at a lower cost alternative source of funding in the future periods.

28 PLEDGED ASSETS

(a) Assets pledged as collateral

The Group

	At December 31,		
	2015	2016	2017
Held-to-maturity investments	6,743,584	7,240,481	5,445,751
Available-for-sale financial assets	2,249,258	–	1,504,147
Financial assets at fair value through profit or loss	–	–	14,049
Discounted bills	3,095,618	1,496,494	–
Beneficial rights	790,000	–	–
Total	12,878,460	8,736,975	6,963,947

The Bank

	At December 31,		
	2015	2016	2017
Held-to-maturity investments	6,743,584	7,240,481	5,445,751
Available-for-sale financial assets	2,249,258	–	1,504,147
Financial assets at fair value through profit or loss	–	–	14,049
Discounted bills	3,095,618	1,496,494	–
Total	12,088,460	8,736,975	6,963,947

Financial assets pledged by the Group as collateral for liabilities or contingent liabilities mainly include discounted bills and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collateral as at the end of each of the Relevant Periods is RMB12,878 million, RMB8,737 million and RMB6,964 million, respectively.

(b) Received pledged assets

As part of the reverse repurchase agreements, the Group has received securities, bills and other documents as collateral that it is allowed to sell or repledge in the absence of default by their owners; the fair value of such collateral accepted by the Group was RMB10,412 million, RMB5,788 million and RMB6,261 million as at December 31, 2015, 2016 and 2017 respectively. These transactions were conducted under standard terms in the normal course of business.

29 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type of counterparty

The Group

	At December 31,		
	2015	2016	2017
Deposits in mainland China			
– Banks	8,992,893	22,831,719	20,390,993
– Other financial institutions	4,162,474	7,997,610	9,429,020
Total	13,155,367	30,829,329	29,820,013

The Bank

	At December 31,		
	2015	2016	2017
Deposits in mainland China			
– Banks	8,992,893	22,831,719	20,390,993
– Other financial institutions	4,349,596	8,379,570	9,910,349
Total	13,342,489	31,211,289	30,301,342

30 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type of counterparty

The Group and the Bank

	At December 31,		
	2015	2016	2017
Placements in mainland China			
– Banks	149,161	77,748	1,350,000

31 BORROWING FROM OTHER FINANCIAL INSTITUTIONS

The Group

	At December 31,		
	2015	2016	2017
Credit borrowings	100,000	6,480,000	8,450,000

The Bank

	At December 31,		
	2015	2016	2017
Credit borrowings	–	–	–

32 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by type and location of counterparty

The Group

	At December 31,		
	2015	2016	2017
In mainland China			
– Banks	10,995,618	8,432,594	6,689,051
– Other financial institutions	1,710,000	–	–
Total	12,705,618	8,432,594	6,689,051

The Bank

	At December 31,		
	2015	2016	2017
In mainland China			
– Banks	10,995,618	8,432,594	6,689,051
– Other financial institutions	920,000	–	–
Total	11,915,618	8,432,594	6,689,051

(b) Analyzed by collateral

The Group

	At December 31,		
	2015	2016	2017
Debt securities	8,820,000	6,936,100	6,689,051
Bank acceptances	3,095,618	1,496,494	–
Credit Assets	790,000	–	–
Total	12,705,618	8,432,594	6,689,051

The Bank

	At December 31,		
	2015	2016	2017
Debt securities	8,820,000	6,936,100	6,689,051
Bank acceptances	3,095,618	1,496,494	–
Total	11,915,618	8,432,594	6,689,051

33 DEPOSITS FROM CUSTOMERS

The Group

	At December 31,		
	2015	2016	2017
Demand deposits			
– Corporate customers	43,156,777	58,049,652	66,446,134
– Individual customers	26,446,532	30,471,560	37,254,607
Sub-total	69,603,309	88,521,212	103,700,741
Time deposits			
– Corporate customers	46,850,633	76,938,731	109,756,893
– Individual customers	10,135,290	13,620,126	20,842,492
Sub-total	56,985,923	90,558,857	130,599,385
Pledged deposits			
– Acceptances	12,012,974	6,724,275	4,803,043
– Letters of credit and guarantees	1,502,244	1,602,982	1,762,974
– Others	115,070	79,499	68,673
Sub-total	13,630,288	8,406,756	6,634,690
Structured deposits	3,724,700	3,592,200	2,836,150
Inward and outward remittances	93,895	58,744	66,385
Total	144,038,115	191,137,769	243,837,351

The Bank

	At December 31,		
	2015	2016	2017
Demand deposits			
– Corporate customers	43,156,777	58,049,652	66,446,134
– Individual customers	26,446,532	30,471,560	37,254,607
Sub-total	69,603,309	88,521,212	103,700,741
Time deposits			
– Corporate customers	46,850,633	76,938,731	109,756,900
– Individual customers	10,135,290	13,620,126	20,842,492
Sub-total	56,985,923	90,558,857	130,599,392
Pledged deposits			
– Acceptances	12,012,974	6,724,275	4,803,043
– Letters of credit and guarantees	1,502,244	1,602,982	1,762,974
– Others	115,070	79,499	68,673
Sub-total	13,630,288	8,406,756	6,634,690
Structured deposits	3,724,700	3,592,200	2,836,150
Inward and outward remittances	93,895	58,744	66,385
Total	144,038,115	191,137,769	243,837,358

34 DEBT SECURITIES ISSUED

The Group and the Bank

	Note	At December 31,		
		2015	**2016**	**2017**
Subordinated debts and tier-two capital debts issued	*(a)*	999,143	–	5,993,599
Other debt securities issued	*(b)*	4,997,450	9,985,409	9,991,119
Interbank deposit issued	*(c)*	11,365,597	33,801,175	27,489,050
Total		17,362,190	43,786,584	43,473,768

(a) Subordinated debts and tier-two capital debts issued

(i) The Bank issued 10-year subordinated fixed interest rate bonds with face value of RMB1.0 billion on December 30, 2011 respectively. The coupon interest rate per annum is 6.80%. The Bank had an option to redeem the bonds at the end of the fifth year. The Bank exercised its redemption right on December 30, 2016 and redeemed a total of RMB1.0 billion subordinated bonds.

(ii) The Bank issued 10-year fixed-rate tier-two capital bonds with face value of RMB3.0 billion on June 5, 2017 respectively. The coupon interest rate per annum is 5%. The Bank had an option to redeem the bonds at the end of the fifth year.

(iii) The Bank issued 10-year fixed-rate tier-two capital bonds with face value of RMB3.0 billion on September 26, 2017 respectively. The coupon interest rate per annum is 5%. The Bank had an option to redeem the bonds at the end of the fifth year.

(iv) As at December 31, 2015, 2016 and 2017, the fair value of the subordinated debts and tier-two capital debts issued were RMB1,027 million, nil and RMB5,783 million.

(b) Other debt securities issued

(i) The Bank issued 3-year fixed interest rate bonds with face value RMB3.0 billion on May 7, 2013. The coupon interest rate per annum is 4.64%.

(ii) The Bank issued 5-year fixed interest rate bonds with face value RMB2.0 billion on May 7, 2013. The coupon interest rate per annum is 4.80%.

(iii) The Bank issued 3-year fixed interest rate bonds with face value RMB3.5 billion on July 12, 2016. The coupon interest rate per annum is 3.41%.

(iv) The Bank issued 5-year fixed interest rate bonds with face value RMB1.5 billion on July 12, 2016. The coupon interest rate per annum is 3.70%.

(v) The Bank issued 3-year fixed interest rate bonds with face value RMB1.5 billion on August 4, 2016. The coupon interest rate per annum is 3.20%.

(vi) The Bank issued 5-year fixed interest rate bonds with face value RMB1.5 billion on August 4, 2016. The coupon interest rate per annum is 3.48%.

As at December 31, 2015, 2016 and 2017,the fair value of other debt securities issued were RMB5,216 million, RMB9,919 million and RMB9,659 million.

(c) Interbank deposit issued

In 2015, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB17,920 million and duration between 1-12 months. The effective interest rates ranged from 2.80% to 5.20% per annum.

In 2016, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB56,310 million and duration between 1-12 months. The effective interest rates ranged from 2.55% to 5.49% per annum.

For year ended December 31, 2017, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB83,230 million and duration between 1-12 months. The effective interest rates ranged from 3.85% to 5.40% per annum.

As at December 31, 2015, 2016 and 2017, the fair value of interbank deposits issued were RMB11,379 million, RMB33,577 million and RMB27,075 million respectively.

35 OTHER LIABILITIES

The Group

	Note	At December 31,		
		2015	2016	2017
Interests payable	(a)	1,495,059	2,069,344	3,283,853
Settlement and clearing accounts		553,425	556,420	2,275,258
Accrued staff cost	(b)	370,092	445,993	488,862
Other tax payables		278,045	254,667	42,611
Payables for purchase of fixed assets		235,177	189,253	232,912
Non-performing assets collection		133,533	112,173	274,403
Guarantee deposits from leases		71,430	380,592	532,763
Deferred income		60,631	279,241	120,365
Dividend payable		56,454	35,580	35,481
Receipt in advance		9,494	28,138	230,160
Litigations and disputes provision	(c)	266	2,559	16,566
Others		172,747	237,801	406,979
Total		3,436,353	4,591,761	7,940,213

The Bank

	Note	At December 31,		
		2015	2016	2017
Interests payable	(a)	1,494,497	2,030,500	3,188,059
Settlement and clearing accounts		553,425	556,420	2,275,258
Accrued staff cost	(b)	362,882	421,683	455,695
Other tax payables		276,538	253,602	41,563
Payables for purchase of fixed assets		223,353	170,110	232,912
Non-performing assets collection		133,533	112,173	274,403
Deferred income		21,573	105,544	120,365
Dividend payable		56,454	35,580	35,481
Receipt in advance		650	650	560
Litigations and disputes provision	(c)	266	2,559	16,566
Others		172,564	237,014	394,714
Total		3,295,735	3,925,835	7,035,576

(a) Interests payable

The Group

	At December 31,		
	2015	2016	2017
Interests payable arising from:			
Deposits from customers	1,190,765	1,627,896	2,532,811
Debt securities issued	152,673	184,330	308,851
Deposits from banks and other financial institutions	145,276	208,901	334,510
Financial assets sold under repurchase agreements	2,833	3,380	4,213
Placements from banks and other financial institutions	2,313	129	1,889
Borrowing from the central bank	637	5,864	5,561
Borrowing from other financial institutions	562	38,844	96,018
Total	1,495,059	2,069,344	3,283,853

The Bank

	At December 31,		
	2015	2016	2017
Interests payable arising from:			
Deposits from customers	1,190,765	1,627,896	2,532,811
Debt securities issued	152,673	184,330	308,851
Deposits from banks and other financial institutions	145,276	208,901	334,734
Financial assets sold under repurchase agreements	2,833	3,380	4,213
Placements from banks and other financial institutions	2,313	129	1,889
Borrowing from the central bank	637	5,864	5,561
Total	1,494,497	2,030,500	3,188,059

(b) Accrued staff cost

The Group

	At December 31,		
	2015	2016	2017
Salaries, bonuses and allowances	260,750	336,736	361,588
Social insurance	24,698	2,617	1,414
Housing fund	828	1,098	231
Labor union expenditure and education costs	8,288	11,090	11,726
Retirement benefit annuity plan	88	215	22,223
Early retirement benefits	75,440	94,237	91,680
Total	370,092	445,993	488,862

The Bank

	At December 31,		
	2015	2016	2017
Salaries, bonuses and allowances	253,658	313,644	334,267
Social insurance	24,615	2,617	1,377
Housing fund	795	1,098	224
Labor union expenditure and education costs	8,288	9,872	9,862
Retirement benefit annuity plan	86	215	18,285
Early retirement benefits	75,440	94,237	91,680
Total	362,882	421,683	455,695

(c) Litigations and disputes provision

Litigations and disputes provision refers to the allowance made on exposure relating to litigation. Movements of Litigations and disputes provision are as follows:

The Group and the Bank

	At December 31,		
	2015	2016	2017
At beginning of the year	–	266	2,559
Charge for the year	266	2,559	14,007
Reversal for the year	–	(255)	–
Pay for the year	–	(11)	–
At end of the year	266	2,559	16,566

36 SHARE CAPITAL

Share capital of the Group as at December 31, 2015, 2016 and 2017 represented share capital of the Bank, which is fully paid.

The Group and the Bank

	Note	Number of shares	Amount
As at January 1, 2015		2,782,068	2,782,068
Capital contribution by equity shareholders	*(a)*	1,896,709	1,896,709
As at December 31, 2015		4,678,777	4,678,777
Capital contribution by equity shareholders		–	–
As at December 31, 2016		4,678,777	4,678,777
Capital contribution by equity shareholders		–	–
As at December 31, 2017		4,678,777	4,678,777

(a) As set out in Note 1 and Note 42, the Bank acquired Jingdezhen City Commercial Bank in December 2015 and changed its name to Jiangxi Bank Co., Ltd.. As in the Shareholders' general meeting on August 31, 2015, and approved by CBRC on December 3, 2015, the Bank issued 271.71 million new shares with a per value of RMB4.35 per share to acquire Jingdezhen City Commercial Bank and issued 1,625 million new shares to several enterprises under a private placement. The additional capital had been verified by Daxin CPAs Limited Company with the related capital verification report (Daxin Yanzi [2015] No. 6-00011) issued.

37 RESERVES

(a) Capital reserve

The Group and the Bank

		At December 31,		
	Note	2015	2016	2017
Share premium		7,631,127	7,631,127	7,631,127
Changes in fair value recognized in other comprehensive income	*(i)*	42,619	(32,226)	(357,388)
Total		7,673,746	7,598,901	7,273,739

(i) Investment revaluation reserve

The Group and the Bank

	At December 31,		
	2015	2016	2017
As at January 1	(3,766)	42,619	(32,226)
Changes in fair value recognized in other comprehensive income	52,385	(46,069)	(402,313)
Transfer to profit or loss upon disposal	9,462	(53,724)	(31,236)
Less: deferred income tax	(15,462)	24,948	108,387
Total	42,619	(32,226)	(357,388)

(b) 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 RMB77 million, RMB160 million and RMB284 million to the statutory surplus reserve fund for each of the Relevant Periods, respectively.

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, 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 RMB2,607 million, RMB3,950 million and RMB4,664 million as at December 31, 2015, 2016 and 2017 respectively.

38 RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the resolution at the Bank's Annual General Meeting on April 22, 2016, the shareholders approved the following profit appropriations for the year ended December 31, 2015:

– Appropriation of statutory surplus reserve amounted to RMB77.23 million.

– Appropriation of general reserve amounted to RMB648.61 million.

– Declaration of cash dividend of RMB0.50 per 10 shares before tax and in an aggregation amount of RMB233.94 million to all existing shareholders of record on December 31, 2015.

In accordance with the resolution at the Bank's Annual General Meeting on April 20, 2017, the shareholders approved the following profit appropriations for the year ended December 31, 2016:

– Appropriation of statutory surplus reserve amounted to RMB159.52 million.

– Appropriation of general reserve amounted to RMB1,343.56 million.

– Declaration of cash dividend of RMB1.00 per 10 shares before tax and in an aggregation amount of RMB467.88 million to all existing shareholders of record on December 31, 2016.

In accordance with the resolution at the Bank's Annual General Meeting on March 26, 2018, the shareholders approved the following profit appropriations for the year ended December 31, 2017:

– Appropriation of statutory surplus reserve amounted to RMB283.66 million.

– Appropriation of general reserve amounted to RMB713.66 million.

– Declaration of cash dividend of RMB1.00 per 10 shares before tax and in an aggregation amount of RMB467.88 million to all existing shareholders of record on December 31, 2017.

(b) As at December 31, 2015, 2016 and 2017, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB0.05 million, RMB8.32 million and RMB18.44 million to surplus reserve made by subsidiary.

(c) Movements in components of equity

Detail of the changes in the Bank's individual components of equity for the Relevant Periods are set out below.

	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at January 1, 2015	2,782,068	1,186,438	1,733,248	1,958,168	2,913,795	10,573,717
Changes in equity for the year:						
Net profit for the year	–	–	–	–	772,315	772,315
Other comprehensive income	–	46,385	–	–	–	46,385
Changes in share capital						
– Capital contributed by equity shareholders	1,896,709	6,440,923	–	–	–	8,337,632
Appropriation of profits						
– Appropriation to surplus reserve	–	–	77,232	–	(77,232)	–
– Appropriation to general reserve	–	–	–	648,607	(648,607)	–
– Appropriation to shareholders	–	–	–	–	(417,311)	(417,311)
Balance at December 31, 2015	4,678,777	7,673,746	1,810,480	2,606,775	2,542,960	19,312,738
Balance at January 1, 2016	4,678,777	7,673,746	1,810,480	2,606,775	2,542,960	19,312,738
Changes in equity for the year:						
Net profit for the year	–	–	–	–	1,595,174	1,595,174
Other comprehensive income	–	(74,845)	–	–	–	(74,845)
Appropriation of profits						
– Appropriation to surplus reserve	–	–	159,517	–	(159,517)	–
– Appropriation to general reserve	–	–	–	1,343,561	(1,343,561)	–
– Appropriation to shareholders	–	–	–	–	(233,939)	(233,939)
Balance at December 31, 2016	4,678,777	7,598,901	1,969,997	3,950,336	2,401,117	20,599,128
Balance at January 1, 2017	4,678,777	7,598,901	1,969,997	3,950,336	2,401,117	20,599,128
Changes in equity for the year						
Net profit for the year	–	–	–	–	2,836,553	2,836,553
Other comprehensive income	–	(325,162)	–	–	–	(325,162)
Appropriation of profits						
– Appropriation to surplus reserve	–	–	283,655	–	(283,655)	–
– Appropriation to general reserve	–	–	–	713,659	(713,659)	–
– Appropriation to shareholders	–	–	–	–	(467,878)	(467,878)
Balance at December 31, 2017	4,678,777	7,273,739	2,253,652	4,663,995	3,772,478	22,642,641

39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognized as at December 31, 2015, 2016 and 2017:

	At December 31, 2015	
	Carrying amount	Maximum exposure
Available-for-sale financial assets	8,451,999	8,451,999
Investments classified as receivables	45,699,259	45,699,259
Total	54,151,258	54,151,258

	At December 31, 2016	
	Carrying amount	Maximum exposure
Available-for-sale financial assets	66,617,048	66,617,048
Investments classified as receivables	62,582,366	62,582,366
Total	129,199,414	129,199,414

	At December 31, 2017	
	Carrying amount	Maximum exposure
Available-for-sale financial assets	48,625,710	48,625,710
Investments classified as receivables	102,615,409	102,615,409
Total	151,241,119	151,241,119

As at December 31, 2015, 2016 and 2017, the carrying amounts of the asset management plans are equal to the maximum exposures.

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at December 31, 2015, 2016 and 2017, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at December 31 2015, 2016 and 2017, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB35,605 million, RMB51,356 million and RMB35,040 million, respectively.

In addition, unconsolidated structured entities sponsored by the Group also include asset-backed securities. In November 2014, the Group transferred a portfolio of customer loans with book value of RMB1,594.5 million to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. For the year of ended December 31, 2015, 2016 and 2017, the balances of these asset-backed securities held by the Group are RMB59.7 million, nil and nil, respectively.

Under the servicing arrangements with the independent trust company, the Group collects the cash flows of the transferred assets on behalf of the unconsolidated securitization vehicle. In return, the Group receives a fee that is expected to compensate the Group for servicing the related assets.

(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at December 31, 2015, 2016 and 2017:

For the year of ended December 31, 2015, 2016 and 2017, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to RMB24,280 million, RMB25,564 million and RMB55,587 million, respectively.

40 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The Group's capital adequacy ratios at December 31, 2015, 2016 and 2017 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

The Group

	December 31,		
	2015	**2016**	**2017**
Total core tier-one capital	19,803,240	21,172,327	23,272,061
– Share capital	4,678,777	4,678,777	4,678,777
– Qualifying portion of capital reserve	7,673,746	7,598,901	7,273,739
– Surplus reserve	1,810,480	1,969,997	2,253,652
– General reserve	2,606,775	3,964,106	4,700,715
– Retained earnings	2,543,216	2,429,778	3,806,862
– Qualifying portions of non-controlling interests	490,246	530,768	558,316
Core tier-one capital deductions	(154,145)	(148,462)	(170,310)
– Other intangible assets other than land use right	(38,026)	(31,222)	(41,044)
– Investment in unconsolidated subsidiaries	(116,119)	(117,240)	(129,266)
Net core tier-one capital	19,649,095	21,023,865	23,101,751
Other tier-one capital	–	–	–
Net tier-one capital	19,649,095	21,023,865	23,101,751
Tier-two capital	2,487,622	2,069,924	8,447,314
– Instruments issued and share premium	700,000	–	6,000,000
– Surplus provision for loan impairment	1,780,352	2,032,234	2,447,314
– Qualifying portions of non-controlling interests	7,270	37,690	–
Net capital base	22,136,717	23,093,789	31,549,065
Total risk weighted assets	155,476,375	193,450,848	244,970,118
Core tier-one capital adequacy ratio	12.64%	10.87%	9.43%
Tier-one capital adequacy ratio	12.64%	10.87%	9.43%
Capital adequacy ratio	14.24%	11.94%	12.88%

41 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Net decrease in cash and cash equivalents

	Years ended December 31,		
	2015	2016	2017
Cash and cash equivalents as at December 31	18,053,945	16,513,677	13,946,882
Less: Cash and cash equivalents as at January 1	(20,402,799)	(18,053,945)	(16,513,677)
Net decrease in cash and cash equivalents	(2,348,854)	(1,540,268)	(2,566,795)

(b) Cash and cash equivalents

	Years ended December 31,		
	2015	2016	2017
Cash on hand	546,565	677,669	797,249
Deposits with the central bank	5,788,538	7,794,945	4,906,648
Deposits with banks and other financial institutions	2,638,483	2,382,684	1,552,917
Financial assets held under resale agreements	7,982,692	5,658,039	6,180,084
Placements with banks and other financial institutions	–	–	500,000
Debt securities investments	1,097,667	340	9,984
Total	18,053,945	16,513,677	13,946,882

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued
At 1 January 2017	43,786,584
Changes from financing cash flows:	
Issue during the year	87,725,553
Repayment for the year	(89,710,000)
Discount or premium amortisation	1,671,631
At 31 December 2017	43,473,768

42 BUSINESS COMBINATIONS

Acquisition of Jingdezhen City Commercial Bank

The Resolution on the Consideration of Determining the Date of Convertible Merger (《關於審議確定換股吸收合併日的議案》) was adopted by Nanchang Bank Co., Ltd. at its Sixth Interim Meeting of the Fifth Session of the Board of Directors in 2015, agrees that the date of share exchange and merger of Nanchang Bank at Jingdezhen City Commercial Bank shall be November 30, 2015. Nanchang Bank Co., Ltd. acquired 100% equity interests of Jingdezhen City Commercial Bank Co., Ltd. at a share consideration of RMB1,268,882,902.67.

On December 3, 2015, the China Banking Regulatory Commission (the "CBRC") promulgated Yinjianfu 2015 No. 658 <Approval of the Acquisition of Jingdezhen City Commercial Bank by Nanchang Bank>. On December 7, 2015, Jiangxi Province State Council promulgated GanFuzi 2015 No. 85 <Notice on the Issuance of Establishment Plan for Jiangxi Bank Co., Ltd.>, the Bank acquired Jingdezhen City Commercial Bank Co., Ltd. by acquiring its entire equity interest and changed its name to Jiangxi Bank Co., Ltd. on December 11, 2015. The acquisition is accounted for using acquisition method under IFRS 3 Business Combinations.

Acquiree name	Registered location	Business	Acquisition date	Acquired interests
Jingdezhen City Commercial Bank Co., Ltd.	Jingdezhen	Banking	November 30, 2015	100%

For the one month ended December 31, 2015, Jingdezhen City Commercial Bank contributed revenue of RMB47 million and profit of RMB10 million to the Group's results. If the acquisition had occurred on January 1, 2015, management estimates that consolidated revenue would have been RMB7,241 million, and consolidated net profit for the year would have been RMB864 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2015.

The fair value of recognised net assets of Jingdezhen City Commercial Bank have been evaluated by Beijing China Enterprise Assets Appraisal Company Ltd. The fair values and book values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Book value recognised on acquisition	Fair value recognised on acquisition
Assets	**15,608,415**	**15,744,458**
Cash and deposits with the central bank	1,683,368	1,683,368
Deposits with banks and other financial institutions	325,584	325,584
Financial assets held under resale agreements	999,928	999,928
Loans and advances to customers	6,421,016	6,421,016
Available-for-sale financial assets	483,207	483,207
Held-to-maturity investments	531,374	531,374
Investments classified as receivables	4,652,620	4,652,620
Investment property	2,672	14,303
Property and equipment	117,356	198,315
Intangible asset	88,337	131,790
Deferred tax assets	63,327	63,327
Other assets	239,626	239,626
Liabilities	**14,448,362**	**14,475,575**
Borrowing from the central bank	7,746	7,746
Deposits from banks and other financial institutions	2,299,451	2,299,451
Financial assets sold under repurchase agreements	3,088,665	3,088,665
Deposits from customers	8,680,655	8,680,655
Taxes payable	3,738	3,738
Deferred tax liabilities	–	27,213
Other liabilities	368,107	368,107
Total identifiable net assets at fair value		**1,268,883**
Consideration transferred		**1,268,883**
Plus: non-controlling interests		**–**
Less: net asset acquired		**(1,268,883)**
Goodwill arising on acquisition		**–**
Satisfied by:		
Share		**1,268,883**

Acquisition-related costs relating to the above acquisition are immaterial and have been excluded from the cost of acquisitions and recognised directly as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) *Major shareholders*

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	Years ended December 31,		
	2015	2016	2017
Jiangxi Provincial Expressway Investment Group Co., Ltd.	20.04%	20.04%	20.04%
Jiangxi Financial Holding Group Co., Ltd.	5.98%	5.98%	6.27%
Bureau of Finance of Nanchang Municipality	5.42%	5.42%	5.42%
Pingxiang Huifeng Investment Co. Ltd.	4.17%	4.17%	5.15%
China National Tobacco Corporation Jiangxi Branch	3.85%	3.85%	3.85%
Jiangxi Investment Group Co., Ltd.	3.85%	3.85%	3.85%
Ganshang Union (Jiangxi) Co., Ltd.	3.17%	3.17%	3.17%
Jiangxi Copper Co., Ltd.	2.99%	2.99%	2.99%
Jiangxi Zhongbang Trade Co. Ltd.	2.15%	2.15%	2.15%
Jiangxi Lantian Driver Training Center Co. Ltd.	2.08%	2.08%	2.08%

The official names of these related parties are in Chinese. The English translation is for reference only.

(ii) *Subsidiaries of the Bank*

The detailed information of the Bank's subsidiary is set out in Note 24.

(iii) *Associates of the Bank*

The detailed information of the Bank's associates is set out in Note 23.

(iv) *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 43 (a) or their controlling shareholders.

(b) Transactions with related parties other than key management personnel

(i) *Transactions between the Bank and major shareholders:*

	Years ended December 31,		
	2015	2016	2017
Transactions during the year:			
Interest income	48,090	11,310	55,835
Interest expense	357,241	331,224	341,862
Fee and commission income	80	–	–

	At December 31,		
	2015	2016	2017
Balances at end of the year:			
Loans and advances to customers	170,000	303,450	749,050
Interests receivable	3,396	1,535	29,818
Deposits from customers	15,949,870	20,077,208	19,632,781
Interests payable	129,671	91,026	103,387
Investments classified as receivables	–	–	299,975
Bank acceptances	160,000	–	–

(ii) Transactions between the Bank and subsidiaries:

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated on combination.

	Years ended December 31,		
	2015	2016	2017
Transactions during the year			
Interest income	197	604	1,210
Interest expense	3,836	5,142	7,680
Fee and commission income	49	400	285

	At December 31,		
	2015	2016	2017
Balances at end of the year			
Placements with banks and other financial institutions	110,000	–	420,000
Interests receivable	197	–	119
Deposits from banks and other financial institutions	187,122	381,960	481,330
Deposits from customers	–	–	7
Interests payable	20	89	225
Bank acceptances	98,599	800,000	655,000

(iii) Transactions between the Bank and associates:

	Years ended December 31,		
	2015	2016	2017
Transactions during the year			
Interest income	55	2,014	1,623
Interest expense	3,934	5,177	8,848
Fee and commission income	–	–	32

	At December 31,		
	2015	2016	2017
Balances at end of the year			
Deposits with banks and other financial institutions	–	150,000	–
Deposits from banks and other financial institutions	153,173	350,253	405,447
Interests receivable	–	215	–
Interests payable	45	126	1,026

(iv) Transactions between the Bank and other related parties:

	Years ended December 31,		
	2015	2016	2017
Transactions during the year			
Interest income	52,114	59,739	253,744
Interest expense	5,053	24,707	32,416
Fee and commission income	253	139	634

	At December 31,		
	2015	2016	2017
Balances at end of the year:			
Loans and advances to customers	1,327,258	1,045,442	1,514,470
Deposits from customers	376,472	2,588,439	4,411,848
Deposits from banks and other financial institutions	–	–	49,426
Investments classified as receivables	–	–	599,946
Interests receivable	45,489	82,753	63,121
Interests payable	1,822	25,843	73,640
Bank acceptances	506,283	278,000	377,250

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	Years ended December 31,		
	2015	2016	2017
Transactions during the year:			
Interest income	172	575	554
Interest expense	27	47	21

	At December 31,		
	2015	2016	2017
Balances at end of the year:			
Loans and advances to customers	–	13,120	10,070
Deposits from customers	3,791	4,240	2,968
Interests receivable	–	43	17
Interests payable	4	3	4

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Years ended December 31,		
	2015	2016	2017
Salaries and other emoluments	17,488	16,575	17,267
Discretionary bonuses	234	1,995	4,771
Contributions to social pension schemes	121	136	151
Other welfare	929	915	886

44 SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Financial markets business

This segment covers the Group's financial markets business operations. The financial markets business enters into inter-bank money market transactions, repurchases transactions, and investments. It also trades in debt securities. The financial markets business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the Relevant Periods to acquire property and equipment, intangible assets and other long-term assets.

(a) Operating segments

The Group

	Year ended December 31, 2015				
	Corporate banking	**Retail banking**	**Financial markets business**	**Others**	**Total**
Operating income					
External net interest income	2,590,417	633,055	3,017,574	–	6,241,046
Internal net interest income/(expense)	1,434,739	552,418	(1,952,547)	(34,610)	–
Net interest income/(expense)	4,025,156	1,185,473	1,065,027	(34,610)	6,241,046
Net fee and commission income	209,466	192,089	126,366	19,815	547,736
Net trading gains	–	–	49,506	–	49,506
Net gains arising from investment securities	–	–	76	–	76
Other income, gains or losses	34,771	125	–	19,052	53,948
Operating income	4,269,393	1,377,687	1,240,975	4,257	6,892,312
Operating expenses	(843,189)	(772,558)	(774,993)	(8,364)	(2,399,104)
Impairment losses on assets	(3,044,900)	(404,473)	(44,887)	(21,644)	(3,515,904)
Share of losses of associates	–	–	–	(11,715)	(11,715)
Profit/(loss) before tax	381,304	200,656	421,095	(37,466)	965,589
Segment assets	72,512,039	36,090,917	102,183,342	662,512	211,448,810
Segment liabilities	(109,996,878)	(37,923,133)	(43,305,357)	(420,202)	(191,645,570)
Other segment information					
– Depreciation and amortization	63,496	96,371	14,259	2,949	177,075
– Capital expenditure	376,135	570,876	84,469	17,470	1,048,950

The Group

	Year ended December 31, 2016				
	Corporate banking	Retail banking	Financial markets business	Others	Total
Operating income					
External net interest income	2,902,237	450,167	4,473,772	–	7,826,176
Internal net interest income/(expense)	1,788,394	822,038	(2,532,205)	(78,227)	–
Net interest income/(expense)	4,690,631	1,272,205	1,941,567	(78,227)	7,826,176
Net fee and commission income	430,594	84,095	436,519	10,552	961,760
Net trading losses	–	–	(61,117)	–	(61,117)
Net gains arising from investment securities	–	–	234,427	–	234,427
Other income, gains or losses	16,281	(31)	(355)	7,296	23,191
Operating income	5,137,506	1,356,269	2,551,041	(60,379)	8,984,437
Operating expenses	(1,577,282)	(643,480)	(732,052)	(4,812)	(2,957,626)
Impairment losses on assets	(2,422,553)	(313,080)	(831,341)	(47,519)	(3,614,493)
Share of profits of associates	–	–	–	1,122	1,122
Profit/(loss) before tax	1,137,671	399,709	987,648	(111,588)	2,413,440
Segment assets	91,123,175	47,908,143	174,014,600	694,874	313,740,792
Segment liabilities	(153,111,730)	(45,572,896)	(93,463,574)	(420,265)	(292,568,465)
Other segment information					
– Depreciation and amortization	107,496	163,151	24,140	4,993	299,780
– Capital expenditure	160,768	244,005	36,104	7,468	448,345

	Year ended December 31, 2017				
	Corporate banking	Retail banking	Financial markets business	Others	Total
Operating income					
External net interest income	1,830,783	766,689	4,883,631	–	7,481,103
Internal net interest income/(expense)	2,640,126	853,263	(3,415,061)	(78,328)	–
Net interest income/(expense)	4,470,909	1,619,952	1,468,570	(78,328)	7,481,103
Net fee and commission income	686,414	187,797	640,625	(24,217)	1,490,619
Net trading losses	–	–	(109,962)	–	(109,962)
Net gains arising from investment securities	–	–	572,870	–	572,870
Other income, gains or losses	(14,900)	(819)	5,479	27,879	17,639
Operating income	5,142,423	1,806,930	2,577,582	(74,666)	9,452,269
Operating expenses	(1,346,819)	(977,420)	(822,566)	(579)	(3,147,384)
Impairment losses on assets	(2,165,473)	(92,978)	(309,836)	(7,515)	(2,575,802)
Share of profits of associates	–	–	–	12,026	12,026
Profit/(loss) before tax	1,630,131	736,532	1,445,180	(70,734)	3,741,109
Segment assets	108,079,206	58,013,237	202,410,947	1,501,908	370,005,298
Segment liabilities	(196,473,559)	(59,632,490)	(89,739,008)	(888,180)	(346,733,237)
Other segment information					
– Depreciation and amortization	208,398	103,144	19,438	659	331,639
– Capital expenditure	337,613	167,097	31,490	1,068	537,268

(b) **Geographical segments**

The Group operates principally in the PRC with branches located in Jiangxi Province, Jiangsu Province, and Guangdong Province. The Group also has a subsidiary, Jiangxi Financial Leasing Co., Ltd, operating in Jiangxi Province.

In presenting information on the basis of geographical regions, operating income is gathered according to the locations of the branches, or the subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographical regions.

To support the Group's operations and management's assessments, the geographical regions are defined as follows:

– "Head office" refers to the head office and its subsidiaries, including financial market department, micro business credit center, network finance department and bank card department, etc.

– "Nanchang area" refers to sub-branches located in Nanchang area: headquarters business department, Nanchang county sub branch, Jinxian sub branch, Bayi sub branch, etc.

– "Within Jiangxi Province (apart from Nanchang area)" refers to branches located in Jiangxi Province but apart from Nanchang: Fuzhou branch, Ji'an branch, Yingtan branch, Jingdezhen branch, Yichun branch, Pingxiang branch, Jiujiang branch, Shangrao branch, Xinyu branch, Ganzhou branch, etc.

– "Outside Jiangxi Province" refers to branches and subsidiary located outside Jiangxi province: Guangzhou branch, Suzhou branch, and Jiangxi Financial Leasing Co., Ltd.

The Group

	Year ended December 31, 2015				
	Head office	Nanchang area	Within Jiangxi Province (apart from Nanchang area)	Outside Jiangxi Province	Total
Operating income					
External net interest income	2,975,016	1,893,440	1,083,936	288,654	6,241,046
Internal net interest (expense)/income	(1,439,292)	1,198,693	166,665	73,934	–
Net interest income	1,535,724	3,092,133	1,250,601	362,588	6,241,046
Net fee and commission income	319,928	114,344	68,000	45,464	547,736
Net trading gains	49,506	–	–	–	49,506
Net gains arising from investment securities	43	33	–	–	76
Other income, gains or losses	12,971	2,820	32,072	6,085	53,948
Operating income	1,918,172	3,209,330	1,350,673	414,137	6,892,312
Operating expenses	(650,008)	(910,188)	(589,956)	(248,952)	(2,399,104)
Impairment losses on assets	(336,803)	(2,376,263)	(694,589)	(108,249)	(3,515,904)
Share of losses of associates	(11,715)	–	–	–	(11,715)
Profit/(loss) before tax	919,646	(77,121)	66,128	56,936	965,589
Segment assets	128,491,913	42,334,927	29,390,222	11,537,091	211,754,153
Elimination					(305,343)
Total assets					211,448,810
Segment liabilities	(43,623,324)	(86,403,880)	(48,287,040)	(13,636,669)	(191,950,913)
Elimination					305,343
Total liabilities					(191,645,570)
Other segment information					
– Depreciation and amortization	70,408	45,796	49,358	11,513	177,075
– Capital expenditure	330,021	61,287	641,164	16,478	1,048,950
– Non-current assets	1,470,620	322,688	789,621	40,523	2,623,452

The Group

	Year ended December 31, 2016				
	Head office	**Nanchang area**	**Within Jiangxi Province (apart from Nanchang area)**	**Outside Jiangxi Province**	**Total**
Operating income					
External net interest income	4,536,340	1,837,025	1,045,938	406,873	7,826,176
Internal net interest (expense)/income	(2,268,632)	1,458,472	654,588	155,572	–
Net interest income	2,267,708	3,295,497	1,700,526	562,445	7,826,176
Net fee and commission income	512,674	77,982	209,772	161,332	961,760
Net trading losses	(61,117)	–	–	–	(61,117)
Net gains arising from investment securities	234,304	12	–	111	234,427
Other income, gains or losses	1,661	103	13,851	7,576	23,191
Operating income	2,955,230	3,373,594	1,924,149	731,464	8,984,437
Operating expenses	(895,980)	(882,044)	(843,845)	(335,757)	(2,957,626)
Impairment losses on assets	(928,970)	(1,451,836)	(850,310)	(383,377)	(3,614,493)
Share of profits of associates	1,122	–	–	–	1,122
Profit before tax	1,131,402	1,039,714	229,994	12,330	2,413,440
Segment assets	210,438,571	50,587,403	36,436,640	16,761,292	314,223,906
Elimination					(483,114)
Total assets					313,740,792
Segment liabilities	(192,592,899)	(49,558,393)	(35,428,406)	(15,471,881)	(293,051,579)
Elimination					483,114
Total liabilities					(292,568,465)
Other segment information					
– Depreciation and amortization	130,289	55,568	98,585	15,338	299,780
– Capital expenditure	141,029	50,956	239,608	16,752	448,345
– Non-current assets	1,477,474	320,164	880,117	40,985	2,718,740

The Group

	Year ended December 31, 2017				
	Head office	Nanchang area	Within Jiangxi Province (apart from Nanchang area)	Outside Jiangxi Province	Total
Operating income					
External net interest income	4,573,835	1,480,995	1,087,970	338,303	7,481,103
Internal net interest (expense)/income	(3,279,553)	2,156,749	940,620	182,184	–
Net interest income	1,294,282	3,637,744	2,028,590	520,487	7,481,103
Net fee and commission income	847,272	82,301	402,162	158,884	1,490,619
Net trading losses	(109,962)	–	–	–	(109,962)
Net gains arising from investment securities	573,297	–	–	(427)	572,870
Other income, gains or losses	(22,926)	4,544	18,722	17,299	17,639
Operating income	2,581,963	3,724,589	2,449,474	696,243	9,452,269
Operating expenses	(882,932)	(901,242)	(1,008,106)	(355,104)	(3,147,384)
Impairment losses on assets	(27,305)	(1,893,606)	(548,984)	(105,907)	(2,575,802)
Share of profits of associates	12,026	–	–	–	12,026
Profit before tax	1,683,752	929,741	892,384	235,232	3,741,109
Segment assets	248,315,007	57,913,444	44,589,146	20,170,201	370,987,798
Elimination					(982,500)
Total assets					370,005,298
Segment liabilities	(229,797,778)	(56,783,707)	(42,509,202)	(18,625,050)	(347,715,737)
Elimination					982,500
Total liabilities					(346,733,237)
Other segment information					
– Depreciation and amortization	147,160	57,336	111,827	15,316	331,639
– Capital expenditure	165,552	31,597	149,439	190,680	537,268
– Non-current assets	1,460,435	305,932	872,528	214,728	2,853,623

45 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyze the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Credit Approval Department and Risk Management Department. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments of branches carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal: . . . . Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special mention: . . . . Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.

Substandard: . . . . Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.

Doubtful: . . . . Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.

Loss: . . . . Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Financial markets business

The Group sets credit limits for financial markets business operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the Relevant Periods.

(ii) Financial assets analyzed by credit quality are summarized as follows:

The Group

	At December 31, 2015				
	Loans and advances	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Investments**	**Others**
				(*)	*(**)*
Impaired					
Individually assessed gross amount	1,207,733	–	–	890,237	725,981
Provision for impairment losses	(979,977)	–	–	(287,407)	(14,537)
Sub-total	227,756	–	–	602,830	711,444
Collectively assessed gross amount	339,949	–	–	–	–
Provision for impairment losses	(286,958)	–	–	–	–
Sub-total	52,991	–	–	–	–
Overdue but not Impaired					
Less than three months (inclusive)	3,014,513	–	–	–	–
Between three months and six months (inclusive)	574,609	–	–	–	–
Between six months and one year (inclusive)	530,490	–	–	–	–
More than one year	530,302	–	–	–	–
Gross amount	4,649,914	–	–	–	–
Provision for impairment losses	(780,718)	–	–	–	–
Sub-total	3,869,196	–	–	–	–
Neither overdue nor impaired					
Gross amount	79,444,206	6,816,835	10,093,503	79,554,927	442,017
Provision for impairment losses	(1,340,721)	–	–	(485,431)	–
Sub-total	78,103,485	6,816,835	10,093,503	79,069,496	442,017
Total	82,253,428	6,816,835	10,093,503	79,672,326	1,153,461

The Group

	At December 31, 2016				
	Loans and advances	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Investments**	**Others**
				(*)	*(**)*
Impaired					
Individually assessed gross amount	1,299,193	–	–	2,014,200	537,001
Provision for impairment losses	(839,651)	–	–	(858,742)	(17,822)
Sub-total	459,542	–	–	1,155,458	519,179
Collectively assessed gross amount	516,270	–	–	–	–
Provision for impairment losses	(455,460)	–	–	–	–
Sub-total	60,810	–	–	–	–
Overdue but not Impaired					
Less than three months (inclusive)	4,066,600	–	–	–	–
Between three months and six months (inclusive)	220,465	–	–	–	–
Between six months and one year (inclusive)	135,892	–	–	–	–
More than one year	225,090	–	–	–	–
Gross amount	4,648,047	–	–	–	–
Provision for impairment losses	(1,123,104)	–	–	–	–
Sub-total	3,524,943	–	–	–	–
Neither overdue nor impaired					
Gross amount	101,519,711	4,624,951	5,658,039	156,826,098	1,007,784
Provision for impairment losses	(1,411,361)	–	–	(659,840)	–
Sub-total	100,108,350	4,624,951	5,658,039	156,166,258	1,007,784
Total	104,153,645	4,624,951	5,658,039	157,321,716	1,526,963

The Group

	At December 31, 2017				
	Loans and advances	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Investments**	**Others**
				(*)	*(**)*
Impaired					
Individually assessed gross amount	1,541,386	–	–	2,431,516	452,411
Provision for impairment losses	(1,265,205)	–	–	(676,634)	(23,669)
Sub-total	276,181	–	–	1,754,882	428,742
Collectively assessed gross amount	583,633	–	–	–	–
Provision for impairment losses	(489,198)	–	–	–	–
Sub-total	94,435	–	–	–	–
Overdue but not Impaired					
Less than three months (inclusive)	3,440,378	–	–	–	–
Between three months and six months (inclusive)	65,597	–	–	–	–
Between six months and one year (inclusive)	243,152	–	–	–	–
More than one year	851	–	–	–	–
Gross amount	3,749,978	–	–	–	–
Provision for impairment losses	(808,777)	–	–	–	–
Sub-total	2,941,201	–	–	–	–
Neither overdue nor impaired					
Gross amount	123,466,715	2,318,235	6,180,084	187,862,699	2,002,634
Provision for impairment losses	(2,009,154)	–	–	(1,198,071)	–
Sub-total	121,457,561	2,318,235	6,180,084	186,664,628	2,002,634
Total	124,769,378	2,318,235	6,180,084	188,419,510	2,431,376

* Investments comprise financial assets at fair value through profit or loss, available-for-sale debt investments, held-to-maturity investments and investments classified as receivables.

** Others comprise interests receivable, prepayments for acquisition of property and equipment and other receivables in other assets.

The fair value of collaterals held against loans and advances overdue but not impaired at December 31, 2015, 2016 and 2017 amounted to RMB1,944.74 million, RMB2,270.56 million and RMB1,713.29 million. The fair value of collaterals held against loans and advances impaired at December 31, 2015, 2016 and 2017 amounted to RMB328.57 million, RMB664.54 million and RMB633.13 million. The 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) Rescheduled loans and advances to customers

The Group has formulated a set of loan restructuring policies to reschedule the contractual terms with customers, to maximise the collectability of loans and to manage customer relationships.

The carrying amount of rescheduled loans and advances to customers is as follows:

	At December 31,		
	2015	**2016**	**2017**
Rescheduled loans and advances to customers	122,439	141,399	99,028
Impaired loans and advances to customers included in above	122,439	141,399	99,028

(iv) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as at the end of the Relevant Periods are as follows:

The Group and the Bank

	At December 31,		
	2015	**2016**	**2017**
Neither overdue nor impaired			
Ratings			
– AAA	22,297,546	24,808,814	34,680,662
– AA- to AA+	3,253,009	1,572,277	1,999,034
– A- to A+	9,947	51,243	–
-BBB-to BBB+	–	–	138,636
Sub-total	25,560,502	26,432,334	36,818,332
Unrated	20,260	1,689,968	360,059
Sub-total	20,260	1,689,968	360,059
Total	25,580,762	28,122,302	37,178,391

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial markets business. The Financial Market Department is responsible for carrying out capital investments and transactions. The Finance Management Department and International Business Department are responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the financial markets business' investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

(i) The following tables indicate the assets and liabilities as at the end of each of the Relevant Periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

The Group

	At December 31, 2015					
	Total	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with the central bank	26,983,991	1,715,066	25,268,925	–	–	–
Deposits with banks and other financial institutions	6,816,835	267,834	3,325,201	3,223,800	–	–
Financial assets held under resale agreements	10,093,503	–	7,982,692	2,110,811	–	–
Loans and advances to customers *(Note (i))*	82,253,428	–	30,614,257	37,731,681	12,902,945	1,004,545
Investments *(Note (ii))*	79,682,576	607,778	13,420,798	20,228,119	35,292,116	10,133,765
Others	5,618,477	5,618,477	–	–	–	–
Total assets	211,448,810	8,209,155	80,611,873	63,294,411	48,195,061	11,138,310
Liabilities						
Borrowing from the central bank	600,000	–	300,000	300,000	–	–
Deposits from banks and other financial Institutions	13,155,367	–	6,613,817	6,541,550	–	–
Placements from banks and other financial institutions	149,161	–	149,161	–	–	–
Borrowing from other financial institutions	100,000	–	100,000	–	–	–
Financial assets sold under repurchase agreements	12,705,618	–	11,915,618	790,000	–	–
Deposits from customers	144,038,115	487,329	89,817,911	40,544,287	13,188,588	–
Debt securities issued	17,362,190	–	6,760,051	7,604,866	1,998,130	999,143
Others	3,535,119	3,364,907	–	98,599	71,613	–
Total liabilities	191,645,570	3,852,236	115,656,558	55,879,302	15,258,331	999,143
Asset-liability gap	19,803,240	4,356,919	(35,044,685)	7,415,109	32,936,730	10,139,167

The Group

	At December 31, 2016					
	Total	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with the central bank	34,820,475	1,185,566	33,634,909	–	–	–
Deposits with banks and other financial institutions	4,624,951	341,352	2,310,072	1,973,527	–	–
Financial assets held under resale agreements	5,658,039	–	5,658,039	–	–	–
Loans and advances to customers *(Note (i))*	104,153,645	–	46,679,881	37,639,991	18,841,538	992,235
Investments *(Note (ii))*	157,331,966	901,708	38,292,731	43,663,777	50,480,657	23,993,093
Others	7,151,716	7,151,716	–	–	–	–
Total assets	313,740,792	9,580,342	126,575,632	83,277,295	69,322,195	24,985,328
Liabilities						
Borrowing from the central bank	6,000,000	–	6,000,000	–	–	–
Deposits from banks and other financial Institutions	30,829,329	–	19,499,795	11,329,534	–	–
Placements from banks and other financial institutions	77,748	–	–	27,748	50,000	–
Borrowing from other financial institutions	6,480,000	–	2,600,000	3,880,000	–	–
Financial assets sold under repurchase agreements	8,432,594	–	8,432,594	–	–	–
Deposits from customers	191,137,769	184,450	127,647,067	37,347,572	25,949,780	8,900
Debt securities issued	43,786,584	–	5,451,143	28,350,032	9,985,409	–
Others	5,824,441	4,643,591	285,000	520,257	365,163	10,430
Total liabilities	292,568,465	4,828,041	169,915,599	81,455,143	36,350,352	19,330
Asset-liability gap	21,172,327	4,752,301	(43,339,967)	1,822,152	32,971,843	24,965,998

The Group

	At December 31, 2017					
	Total	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with the central bank	40,039,192	2,971,134	37,068,058	–	–	–
Deposits with banks and other financial institutions	1,818,235	454,124	1,364,111	–	–	–
Placements with banks and other financial institutions	500,000	–	500,000	–	–	–
Financial assets held under resale agreements	6,180,084	–	6,180,084	–	–	–
Loans and advances to customers *(Note (i))*	124,769,378	–	74,887,225	35,205,027	13,527,936	1,149,190
Investments *(Note (ii))*	188,429,760	493,449	45,529,663	27,649,026	83,312,116	31,445,506
Others	8,268,649	8,214,176	–	–	54,473	–
Total assets	370,005,298	12,132,883	165,529,141	62,854,053	96,894,525	32,594,696
Liabilities						
Borrowing from the central bank	4,022,343	–	4,014,352	7,991	–	–
Deposits from banks and other financial Institutions	29,820,013	–	7,127,843	22,692,170	–	–
Placements from banks and other financial institutions	1,350,000	–	–	500,000	850,000	–
Borrowing from other financial institutions	8,450,000	–	1,840,000	6,610,000	–	–
Financial assets sold under repurchase agreements	6,689,051	–	6,689,051	–	–	–
Deposits from customers	243,837,351	1,201,660	164,045,757	27,117,845	50,479,805	992,284
Debt securities issued	43,473,768	–	10,160,447	19,328,314	7,991,408	5,993,599
Others	9,090,711	9,090,710	1	–	–	–
Total liabilities	346,733,237	10,292,370	193,877,451	76,256,320	59,321,213	6,985,883
Asset-liability gap	23,272,061	1,840,513	(28,348,310)	(13,402,267)	37,573,312	25,608,813

(i) As at December 31, 2015, 2016 and 2017, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB2,666.23 million, RMB3,132.82 million and RMB2,475.58 million, respectively.

(ii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

Change in net profit	31 December 2015	31 December 2016	31 December 2017
	(Decrease)/Increase	(Decrease)/Increase	(Decrease)/Increase
Up 100 bps parallel shift in yield curves	(258,718)	(145,013)	(232,469)
Down 100 bps parallel shift in yield curves	213,211	171,250	233,013

Change in equity	31 December 2015	31 December 2016	31 December 2017
	(Decrease)/Increase	(Decrease)/Increase	(Decrease)/Increase
Up 100 bps parallel shift in yield curves	(119,561)	(201,243)	(445,890)
Down 100 bps parallel shift in yield curves	123,679	400,883	476,197

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

– Interest rate movements at the end of each of the Relevant Periods apply to non-derivative financial instruments of the Group;

– At the end of each of the Relevant Periods, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign exchange risk

Foreign currency risk

The Group's currency risk mainly arises from foreign currency deposits with banks and other financial institutions and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

(i) The Group's currency exposures as at the end of each of the Relevant Periods are as follows:

The Group

	At December 31, 2015				
	RMB	**USD**	**HKD**	**Others**	**Total**
		(RMB Equivalent)	**(RMB Equivalent)**	**(RMB Equivalent)**	**(RMB Equivalent)**
Assets					
Cash and deposits with the central bank	26,921,226	60,106	1,531	1,128	26,983,991
Deposits with banks and other financial institutions	5,788,105	1,022,596	4,946	1,188	6,816,835
Financial assets held under resale agreements	10,093,503	–	–	–	10,093,503
Loans and advances to customers	81,972,030	281,398	–	–	82,253,428
Investments	79,682,576	–	–	–	79,682,576
Others	5,610,887	7,590	–	–	5,618,477
Total assets	210,068,327	1,371,690	6,477	2,316	211,448,810
Liabilities					
Borrowing from the central bank	600,000	–	–	–	600,000
Deposits from banks and other financial Institutions	13,147,898	5,855	1,146	468	13,155,367
Placements from banks and other financial institutions	–	149,161	–	–	149,161
Borrowing from other financial institutions	100,000	–	–	–	100,000
Financial assets sold under repurchase agreements	12,705,618	–	–	–	12,705,618
Deposits from customers	142,933,635	1,099,781	3,505	1,194	144,038,115
Debt securities issued	17,362,190	–	–	–	17,362,190
Others	3,524,693	10,412	13	1	3,535,119
Total liabilities	190,374,034	1,265,209	4,664	1,663	191,645,570
Net position	19,694,293	106,481	1,813	653	19,803,240
Off-balance sheet credit commitments	48,519,752	10,065	–	2,158	48,531,975

The Group

	At December 31, 2016				
	RMB	USD	HKD	Others	Total
		(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets					
Cash and deposits with the central bank	34,777,109	38,978	3,261	1,127	34,820,475
Deposits with banks and other financial institutions	3,365,219	1,211,675	40,498	7,559	4,624,951
Financial assets held under resale agreements	5,658,039	–	–	–	5,658,039
Loans and advances to customers	103,882,710	270,935	–	–	104,153,645
Investments	157,331,966	–	–	–	157,331,966
Others	7,144,790	6,926	–	–	7,151,716
Total assets	312,159,833	1,528,514	43,759	8,686	313,740,792
Liabilities					
Borrowing from the central bank	6,000,000	–	–	–	6,000,000
Deposits from banks and other financial Institutions	30,022,010	805,657	1,179	483	30,829,329
Placements from banks and other financial institutions	50,000	27,748	–	–	77,748
Borrowing from other financial institutions	6,480,000	–	–	–	6,480,000
Financial assets sold under repurchase agreements	8,432,594	–	–	–	8,432,594
Deposits from customers	190,437,924	662,147	36,322	1,376	191,137,769
Debt securities issued	43,786,584	–	–	–	43,786,584
Others	5,816,695	7,732	13	1	5,824,441
Total liabilities	291,025,807	1,503,284	37,514	1,860	292,568,465
Net position	21,134,026	25,230	6,245	6,826	21,172,327
Off-balance sheet credit commitments	27,208,663	390,811	–	3,946	27,603,420

The Group

	At December 31, 2017				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets					
Cash and deposits with the central bank	39,983,511	52,033	2,794	854	40,039,192
Deposits with banks and other financial institutions	814,397	959,510	40,473	3,855	1,818,235
Placements with banks and other financial institutions	500,000	–	–	–	500,000
Financial assets held under resale agreements	6,180,084	–	–	–	6,180,084
Loans and advances to customers	124,490,648	278,730	–	–	124,769,378
Investments	188,429,760	–	–	–	188,429,760
Others	8,267,149	1,500	–	–	8,268,649
Total assets	368,665,549	1,291,773	43,267	4,709	370,005,298
Liabilities					
Borrowing from the central bank	4,022,343	–	–	–	4,022,343
Deposits from banks and other financial Institutions	29,817,347	1,387	860	419	29,820,013
Placements from banks and other financial institutions	1,350,000	–	–	–	1,350,000
Borrowing from other financial institutions	8,450,000	–	–	–	8,450,000
Financial assets sold under repurchase agreements	6,689,051	–	–	–	6,689,051
Deposits from customers	242,962,878	840,413	32,712	1,348	243,837,351
Debt securities issued	43,473,768	–	–	–	43,473,768
Others	9,086,686	4,011	13	1	9,090,711
Total liabilities	345,852,073	845,811	33,585	1,768	346,733,237
Net position	22,813,476	445,962	9,682	2,941	23,272,061
Off-balance sheet credit commitments	25,448,906	745,805	–	8,475	26,203,186

(ii) Exchange rate sensitivity analysis

	At December 31,					
	2015		2016		2017	
	Change in foreign currency exchange rate (in basis points)		Change in foreign currency exchange rate (in basis points)		Change in foreign currency exchange rate (in basis points)	
	(100)	*100*	*(100)*	*100*	*(100)*	*100*
(Decrease)/increase in annualised net profit	(817)	817	(287)	287	(3,439)	3,439

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;

– The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;

– The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

– Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and

– Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Finance Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the Bank. It is also responsible for managing and forecasting the working capital on a regular basis together with the Finance Market Department, and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Finance Market Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Relevant Periods:

The Group

	At December 31, 2015							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one yea and five years	More than five years	Total
	Note (i)							
Assets								
Cash and deposits with the central bank	20,648,887	6,335,104	–	–	–	–	–	26,983,991
Deposit with banks and other financial institutions	–	1,008,611	1,824,680	759,744	3,223,800	–	–	6,816,835
Financial assets held under resale agreements	–	–	7,721,520	261,172	2,110,811	–	–	10,093,503
Loans and advances to customers	2,132,331	1,089,191	5,412,208	5,661,615	39,781,516	14,200,742	13,975,825	82,253,428
Investments	607,778	215,279	5,177,456	5,905,386	21,850,878	35,792,034	10,133,765	79,682,576
Others	4,461,278	208,783	102,115	157,194	447,546	192,818	48,743	5,618,477
Total assets	27,850,274	8,856,968	20,237,979	12,745,111	67,414,551	50,185,594	24,158,333	211,448,810
Liabilities								
Borrowing from the central bank	–	–	–	300,000	300,000	–	–	600,000
Deposits from banks and other financial Institutions	–	362,817	1,706,000	4,545,000	6,541,550	–	–	13,155,367
Placements from banks and other financial institutions	–	–	–	149,161	–	–	–	149,161
Borrowing from other financial institutions	–	–	–	100,000	–	–	–	100,000
Financial assets sold under repurchase agreements	–	–	11,518,036	397,582	790,000	–	–	12,705,618
Deposit from customers	–	63,250,099	12,343,185	14,711,956	40,544,287	13,188,588	–	144,038,115
Debt securities issued	–	–	1,996,061	4,763,990	7,604,866	1,998,130	999,143	17,362,190
Others	540,782	137,757	898,884	395,257	1,224,226	338,213	–	3,535,119
Total liabilities	540,782	63,750,673	28,462,166	25,362,946	57,004,929	15,524,931	999,143	191,645,570
Long/(Short) position	27,309,492	(54,893,705)	(8,224,187)	(12,617,835)	10,409,622	34,660,663	23,159,190	19,803,240

	At December 31, 2016							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	Note (i)							
Assets								
Cash and deposits with the central bank	26,347,861	8,472,614	–	–	–	–	–	34,820,475
Deposit with banks and other financial institutions	–	1,382,684	–	1,268,740	1,973,527	–	–	4,624,951
Financial assets held under resale agreements	–	–	5,658,039	–	–	–	–	5,658,039
Loans and advances to customers	2,594,566	2,939,459	5,539,078	7,599,713	41,616,312	20,074,652	23,789,865	104,153,645
Investments	901,708	27,259,957	2,509,202	7,045,322	43,614,582	52,008,103	23,993,092	157,331,966
Others	4,907,658	295,494	219,614	287,616	1,111,742	257,626	71,966	7,151,716
Total assets	34,751,793	40,350,208	13,925,933	16,201,391	88,316,163	72,340,381	47,854,923	313,740,792
Liabilities								
Borrowing from the central bank	–	–	6,000,000	–	–	–	–	6,000,000
Deposits from banks and other financial Institutions	–	556,395	7,260,000	11,683,400	11,329,534	–	–	30,829,329
Placements from banks and other financial institutions	–	–	–	–	27,748	50,000	–	77,748
Borrowing from other financial institutions	–	–	1,400,000	1,200,000	3,880,000	–	–	6,480,000
Financial assets sold under repurchase agreements	–	–	8,432,594	–	–	–	–	8,432,594
Deposit from customers	–	100,117,507	12,603,917	15,110,093	37,347,572	25,949,780	8,900	191,137,769
Debt securities issued	–	–	298,782	5,152,361	28,350,032	9,985,409	–	43,786,584
Others	408,737	211,438	1,249,338	647,834	2,226,659	1,069,830	10,605	5,824,441
Total liabilities	408,737	100,885,340	37,244,631	33,793,688	83,161,545	37,055,019	19,505	292,568,465
Long/(Short) position	34,343,056	(60,535,132)	(23,318,698)	(17,592,297)	5,154,618	35,285,362	47,835,418	21,172,327

	At December 31, 2017							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	Note (i)							
Assets								
Cash and deposits with the central bank	34,335,290	5,703,902	–	–	–	–	–	40,039,192
Deposit with banks and other financial institutions	–	1,552,893	65,342	200,000	–	–	–	1,818,235
Placements with banks and other financial institutions	–	–	500,000	–	–	–	–	500,000
Financial assets held under resale agreements	–	–	5,880,161	299,923	–	–	–	6,180,084
Loans and advances to customers	1,364,200	4,017,340	6,201,239	8,675,404	39,305,055	35,506,841	29,699,299	124,769,378
Investments	493,449	14,900,957	5,104,421	8,384,720	17,167,964	97,250,116	45,128,133	188,429,760
Others	5,625,024	64,748	899,119	391,149	557,076	537,726	193,807	8,268,649
Total assets	41,817,963	26,239,840	18,650,282	17,951,196	57,030,095	133,294,683	75,021,239	370,005,298
Liabilities								
Borrowing from the central bank	–	–	4,012,864	1,488	7,991	–	–	4,022,343
Deposits from banks and other financial Institutions	–	255,843	593,000	6,279,000	22,692,170	–	–	29,820,013
Placements from banks and other financial institutions	–	–	–	–	500,000	850,000	–	1,350,000
Borrowing from other financial institutions	–	–	840,000	1,000,000	6,610,000	–	–	8,450,000
Financial assets sold under repurchase agreements	–	–	6,689,051	–	–	–	–	6,689,051
Deposit from customers	–	134,569,608	14,691,385	15,986,424	27,117,845	50,479,805	992,284	243,837,351
Debt securities issued	–	–	3,599,220	6,561,227	19,328,314	7,991,408	5,993,599	43,473,768
Others	312,895	224,964	3,289,442	1,274,674	2,068,812	1,770,686	149,238	9,090,711
Total liabilities	312,895	135,050,415	33,714,962	31,102,813	78,325,132	61,091,899	7,135,121	346,733,237
Long/(Short) position	41,505,068	(108,810,575)	(15,064,680)	(13,151,617)	(21,295,037)	72,202,784	67,886,118	23,272,061

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.

The following tables provide an analysis of the contractual undiscounted cash flow of the financial assets and liabilities, loans commitments and credit card commitments of the Group at the end of the Relevant Periods.

The Group

	At December 31, 2015								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Financial assets									
Cash and deposits with the central bank	26,983,991	26,983,991	20,648,887	6,335,104	–	–	–	–	–
Deposit with banks and other financial institutions	6,816,835	6,979,702	–	1,008,611	1,834,574	764,270	3,372,247	–	–
Financial assets held under resale agreements	10,093,503	10,123,621	–	–	7,724,730	262,603	2,136,288	–	–
Loans and advances to customers	82,253,428	98,312,253	2,139,119	1,094,484	5,424,515	5,822,729	42,075,707	16,810,068	24,945,631
Investments	79,682,576	91,623,351	607,778	215,279	5,239,921	7,308,032	25,896,963	41,183,334	11,172,044
Other financial assets	1,684,659	1,684,659	760,610	207,456	100,751	148,876	397,188	33,260	36,518
Total financial assets	207,514,992	235,707,577	24,156,394	8,860,934	20,324,491	14,306,510	73,878,393	58,026,662	36,154,193
Financial liabilities									
Borrowing from the central bank	600,000	607,455	–	–	–	304,970	302,485	–	–
Deposits from banks and other financial Institutions	13,155,367	13,614,387	–	362,817	1,718,851	4,613,208	6,919,511	–	–
Placements from banks and other financial institutions	149,161	149,796	–	–	–	149,796	–	–	–
Borrowing from other financial institutions	100,000	101,145	–	–	–	101,145	–	–	–
Financial assets sold under repurchase agreements	12,705,618	12,735,415	–	–	11,526,264	408,227	800,924	–	–
Deposit from customers	144,038,115	148,387,711	–	63,499,695	13,353,185	16,081,956	42,264,287	13,188,588	–
Debt securities issued	17,362,190	18,305,200	–	–	2,000,000	4,800,000	7,973,200	2,464,000	1,068,000
Other financial liabilities	3,535,119	3,535,119	540,781	137,758	898,884	395,257	1,224,226	338,213	–
Total financial liabilities	191,645,570	197,436,228	540,781	64,000,270	29,497,184	26,854,559	59,484,633	15,990,801	1,068,000
Net position	15,869,422	38,271,349	23,615,613	(55,139,336)	(9,172,693)	(12,548,049)	14,393,760	42,035,861	35,086,193
Loan commitments and credit card commitments	48,531,975	48,531,975	–	5,015,175	5,383,361	7,405,727	28,352,102	2,371,510	4,100

	At December 31, 2016								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Financial assets									
Cash and deposits with the central bank	34,820,475	34,820,475	26,347,861	8,472,614	–	–	–	–	–
Deposit with banks and other financial institutions	4,624,951	4,700,803	–	1,382,684	–	1,285,909	2,032,210	–	–
Financial assets held under resale agreements	5,658,039	5,659,792	–	–	5,659,792	–	–	–	–
Loans and advances to customers	104,153,645	123,683,781	2,601,699	2,946,158	5,550,284	8,545,846	44,749,810	21,264,228	38,025,756
Investments	157,331,966	171,763,978	901,708	27,293,013	2,850,578	7,838,343	47,838,580	60,168,112	24,873,644
Other financial assets	2,739,159	2,739,159	786,475	293,946	219,536	284,020	1,061,483	36,396	57,303
Total financial assets	309,328,235	343,367,988	30,637,743	40,388,415	14,280,190	17,954,118	95,682,083	81,468,736	62,956,703
Financial liabilities									
Borrowing from the central bank	6,000,000	6,008,128	–	–	6,008,128	–	–	–	–
Deposits from banks and other financial Institutions	30,829,329	31,329,479	–	556,427	7,329,148	11,855,998	11,587,906	–	–
Placements from banks and other financial institutions	77,748	83,763	–	–	–	–	27,889	55,874	–
Borrowing from other financial institutions	6,480,000	6,607,960	–	–	1,410,129	1,213,753	3,984,078	–	–
Financial assets sold under repurchase agreements	8,432,594	8,438,057	–	–	8,438,057	–	–	–	–
Deposit from customers	191,137,769	199,517,339	–	100,498,233	18,103,917	15,710,093	39,246,416	25,949,780	8,900
Debt securities issued	43,786,584	45,680,294	–	–	300,000	5,180,000	29,340,400	10,859,894	–
Other financial liabilities	5,824,441	5,824,441	408,737	211,438	1,249,338	647,834	2,226,659	1,069,830	10,605
Total financial liabilities	292,568,465	303,489,461	408,737	101,266,098	42,838,717	34,607,678	86,413,348	37,935,378	19,505
Net position	16,759,770	39,878,527	30,229,006	(60,877,683)	(28,558,527)	(16,653,560)	9,268,735	43,533,358	62,937,198
Loan commitments and credit card commitments	27,603,420	27,603,420	–	3,284,867	4,592,479	7,331,152	10,329,018	2,065,704	200

	At December 31, 2017								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Financial assets									
Cash and deposits with the central bank	40,039,192	40,039,192	34,335,290	5,703,902	–	–	–	–	–
Deposit with banks and other financial institutions	1,818,235	1,819,516	–	1,552,893	65,382	201,241	–	–	–
Placements with banks and other financial institutions	500,000	500,060	–	–	500,060	–	–	–	–
Financial assets held under resale agreements	6,180,084	6,187,178	–	–	5,883,779	303,399	–	–	–
Loans and advances to customers	124,769,378	149,395,866	1,368,090	4,018,507	6,249,482	9,029,042	40,971,450	41,341,501	46,417,794
Investments	188,429,760	221,032,799	493,449	14,918,247	5,621,219	9,458,670	23,798,697	116,424,014	50,318,503
Other financial assets	3,265,299	3,265,299	1,003,525	57,297	898,994	382,652	493,288	302,201	127,342
Total financial assets	365,001,948	422,239,910	37,200,354	26,250,846	19,218,916	19,375,004	65,263,435	158,067,716	96,863,639
Financial liabilities									
Borrowing from the central bank	4,022,343	4,035,333	–	4,025,833	1,500	8,000	–	–	–
Deposits from banks and other financial Institutions	29,820,013	30,830,927	–	255,843	605,784	6,490,809	23,478,491	–	–
Placements from banks and other financial institutions	1,350,000	1,473,385	–	–	–	–	510,754	962,631	–
Borrowing from other financial institutions	8,450,000	8,663,305	–	–	842,307	1,010,610	6,810,388	–	–
Financial assets sold under repurchase agreements	6,689,051	6,694,368	–	–	6,694,368	–	–	–	–
Deposit from customers	243,837,351	246,988,486	–	134,569,608	14,838,775	16,236,841	27,964,220	52,300,661	1,078,381
Debt securities issued	43,473,768	47,881,500	–	–	3,610,000	6,610,000	20,471,050	9,690,450	7,500,000
Other financial liabilities	9,083,113	9,083,113	307,467	224,964	3,277,177	1,284,682	2,068,899	1,770,686	149,238
Total financial liabilities	346,725,639	355,650,417	307,467	139,076,248	29,869,911	31,640,942	81,303,802	64,724,428	8,727,619
Net position	18,276,309	66,589,493	36,892,887	(112,825,402)	(10,650,995)	(12,265,938)	(16,040,367)	93,343,288	88,136,020
Loan commitments and credit card commitments	26,203,186	26,203,186	–	5,593,302	2,031,572	5,167,107	11,783,976	1,626,229	1,000

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

– A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;

– A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;

– An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;

– An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and

– An independent risk assessment framework based on the internal audit and the compliance review.

46 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the Relevant Periods.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the Relevant Periods.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the Relevant Periods, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the Relevant Periods.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments are disclosed in Note 21. The carrying amounts of debt securities classified as receivables are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, deposits from customers and debt securities issued.

The book value and fair value of debt securities issued is presented in Note 34. The carrying amounts of other financial liabilities approximate their fair value.

(c) Financial instruments carried at fair value

The following table presents the fair value of 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.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, and credit spreads. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The Group

	At December 31, 2015			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
– debt securities	–	5,367,675	–	5,367,675
Available-for-sale financial assets				
– debt securities	–	3,601,891	–	3,601,891
– wealth management products	–	–	499,980	499,980
– investment management products	–	–	7,678,945	7,678,945
– fund investments	200,280	–	13,100	213,380
Total	200,280	8,969,566	8,192,025	17,361,871

	At December 31, 2016			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
– debt securities	–	71,314	–	71,314
Available-for-sale financial assets				
– debt securities	–	7,987,806	–	7,987,806
– wealth management products	–	–	3,783,383	3,783,383
– investment management products	–	–	35,837,708	35,837,708
– fund investments	26,982,457	–	13,500	26,995,957
Total	26,982,457	8,059,120	39,634,591	74,676,168

	At December 31, 2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
– debt securities	–	587,817	–	587,817
Available-for-sale financial assets				
– debt securities	–	10,957,755	12,433	10,970,188
– wealth management products	–	–	711,350	711,350
– investment management products	–	–	33,184,052	33,184,052
– fund investments	14,716,808	–	13,500	14,730,308
Total	14,716,808	11,545,572	33,921,335	60,183,715

The Bank

	At December 31, 2015			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
– debt securities	–	5,367,675	–	5,367,675
Available-for-sale financial assets				
– debt securities	–	3,601,891	–	3,601,891
– wealth management products	–	–	299,980	299,980
– investment management products	–	–	7,678,945	7,678,945
– fund investments	200,280	–	13,100	213,380
Total	200,280	8,969,566	7,992,025	17,161,871

	At December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
– debt securities	–	71,314	–	71,314
Available-for-sale financial assets				
– debt securities	–	7,987,806	–	7,987,806
– wealth management products	–	–	3,783,383	3,783,383
– investment management products	–	–	35,837,708	35,837,708
– fund investments	26,982,457	–	13,500	26,995,957
Total	26,982,457	8,059,120	39,634,591	74,676,168

	At December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
– debt securities	–	587,817	–	587,817
Available-for-sale financial assets				
– debt securities	–	10,957,755	12,433	10,970,188
– wealth management products	–	–	711,350	711,350
– investment management products	–	–	33,184,052	33,184,052
– fund investments	14,716,808	–	13,500	14,730,308
Total	14,716,808	11,545,572	33,921,335	60,183,715

The amount of available-for-sale financial assets in the above table exclude equity investments measured at cost.

During the Relevant Periods, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

A reconciliation from the beginning balances to the ending balances for fair value measurements in Level-3 of the fair value hierarchy on an on-going basis is as bellow:

The Group

	Available-for-sale financial assets		
	At December 31,		
	2015	**2016**	**2017**
January 1	6,053,558	8,192,025	39,634,591
Total gains or losses			
– in profit or loss for the current year	210,061	38,749,205	946,914
– in other comprehensive year	2,100	400	–
Purchases	15,546,740	46,752,415	15,476,805
Settlements	(13,620,434)	(54,059,454)	(22,136,975)
December 31	8,192,025	39,634,591	33,921,335
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period	–	–	–

The Bank

	Available-for-sale financial assets		
	At December 31,		
	2015	2016	2017
January 1	6,053,558	7,992,025	39,634,591
Total gains or losses			
– in profit or loss for the current year	210,061	38,749,205	945,591
– in other comprehensive year	2,100	400	–
Purchases	15,346,740	46,752,415	15,301,805
Settlements	(13,620,434)	(53,859,454)	(21,960,652)
December 31	7,992,025	39,634,591	33,921,335
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period	–	–	–

During the year ended December 31, 2015, 2016 and 2017, there were no significant transfers into or out of Level 3.

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3.

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at December 31, 2015			
	The Group	The Bank	Valuation techniques	Unobservable input
Available-for-sale financial assets				
– wealth management products	499,980	299,980	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	7,678,945	7,678,945	Discounted cash flow	Risk-adjusted discount rate, cash flow
– fund investments	13,100	13,100	Discounted cash flow	Risk-adjusted discount rate, cash flow

	Fair value as at December 31, 2016			
	The Group	The Bank	Valuation techniques	Unobservable input
Available-for-sale financial assets				
– wealth management products	3,783,383	3,783,383	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	35,837,708	35,837,708	Discounted cash flow	Risk-adjusted discount rate, cash flow
– fund investments	13,500	13,500	Discounted cash flow	Risk-adjusted discount rate, cash flow

	Fair value as at December 31, 2017			
	The Group	The Bank	Valuation techniques	Unobservable input
Available-for-sale financial assets				
– debt securities	12,433	12,433	Discounted cash flow	Risk-adjusted discount rate, cash flow
– wealth management products	711,350	711,350	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	33,184,052	33,184,052	Discounted cash flow	Risk-adjusted discount rate, cash flow
– fund investments	13,500	13,500	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the years ended 31 December 2015, 2016 and 2017, there were no significant change in the valuation techniques.

As at 31 December 2015, 2016 and 2017, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 2 percent of change in fair value to reasonably possible alternative assumptions.

The Group

	31 December 2015	
	Effect on other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
– wealth management products	10,000	(10,000)
– investment management products	153,579	(153,579)
– fund investments	262	(262)

	31 December 2016	
	Effect on other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
– wealth management products	75,668	(75,668)
– investment management products	716,754	(716,754)
– fund investments	270	(270)

	31 December 2017	
	Effect on other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
– debt securities	249	(249)
– wealth management products	14,227	(14,227)
– investment management products	663,681	(663,681)
– fund investments	270	(270)

The Bank

	31 December 2015	
	Effect on other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
– wealth management products	6,000	(6,000)
– investment management products	153,579	(153,579)
– fund investments	262	(262)

	31 December 2016	
	Effect on other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
– wealth management products	75,668	(75,668)
– investment management products	716,754	(716,754)
– fund investments	270	(270)

	31 December 2017	
	Effect on other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
– debt securities	249	(249)
– wealth management products	14,227	(14,227)
– investment management products	663,681	(663,681)
– fund investments	270	(270)

(d) Financial instruments carried at other than fair value

As at the end of the relevant periods, the carrying amounts and the fair value of the financial assets and the financial liabilities of the Group have no significant difference except following items.

The Group and the Bank

	At December 31, 2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial asset					
– Held-to-maturity investments	16,586,432	17,161,891	–	17,161,891	–
Financial liability					
– Debt securities issued	17,362,190	17,622,509	–	17,622,509	–

	At December 31, 2016				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial asset					
– Held-to-maturity investments	20,063,182	20,133,364	–	20,133,364	–
Financial liability					
– Debt securities issued	43,786,584	43,496,066	–	43,496,066	–

	At December 31, 2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial asset					
– Held-to-maturity investments	25,620,386	24,653,771	–	24,653,771	–
Financial liability					
– Debt securities issued	43,473,768	42,517,196	–	42,517,196	–

47 ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the statements of financial position. Surplus funding is accounted for as deposits from customers.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	At December 31,		
	2015	2016	2017
Entrusted loans	20,571,799	39,025,381	63,745,779
Entrusted funds	20,571,799	39,025,381	63,745,779

48 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The Group and the Bank

	At December 31,		
	2015	2016	2017
Loan commitments			
– Original contractual maturity within one year	212,500	111,500	118,900
– Original contractual maturity more than one year (inclusive)	437,500	520,300	903,900
Sub-total	650,000	631,800	1,022,800
Credit card commitments			
– Original contractual maturity within one year	1,174,705	2,983,403	4,682,042
Sub-total	1,174,705	2,983,403	4,682,042
Acceptances	39,602,234	21,025,400	16,178,690
Letters of credit	3,682,945	534,865	1,080,048
Letters of guarantees	3,422,091	2,427,952	3,239,606
Total	48,531,975	27,603,420	26,203,186

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount

The Group and the Bank

	At December 31,		
	2015	2016	2017
Credit risk weighted amounts	11,522,614	8,788,098	8,511,378

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the CBRC.

(c) Operating lease commitments

As at the end of each of the Relevant Periods, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group

	At December 31,		
	2015	2016	2017
Within one year (inclusive)	132,054	184,199	206,311
After one year but within five years (inclusive)	480,779	534,734	602,037
After five years	229,570	217,585	280,142
Total	842,403	936,518	1,088,490

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:

The Bank

	At December 31,		
	2015	2016	2017
Within one year (inclusive)	126,635	173,338	195,448
After one year but within five years (inclusive)	469,287	513,873	591,928
After five years	229,570	217,585	280,142
Total	825,492	904,796	1,067,518

(d) Capital commitments

As at the end of each of the Relevant Periods, the Group's authorized capital commitments are as follows:

	At December 31,		
	2015	2016	2017
Contracted but not paid for	249,151	80,938	75,679
Authorised but not contracted for	–	1,287	–
Total	249,151	82,225	75,679

As at the end of each of the Relevant Periods, the Bank's authorized capital commitments are as follows:

	At December 31,		
	2015	2016	2017
Contracted but not paid for	246,299	80,938	75,679
Authorised but not contracted for	–	1,287	–
Total	246,299	82,225	75,679

(e) Outstanding litigations and disputes

As at December 31, 2015, 2016 and 2017, the Group was the defendant in certain pending litigations and disputes with an estimated gross amounts of RMB3.58 million, RMB4.30 million, and RMB1,514.66 million, respectively. According to the opinion of the Group's lawyers and external lawyers, the Group recognised the related litigation provision (see Note 35(c)), which they believed to be reasonable and sufficient.

The Bank was involved in a bill dispute litigation with Bank B since March 2017 where Bank B bring suit in court in order to terminate "bank acceptance bill discounting contract" with the Bank. Bank B also request the Bank to pay back the bill payment of RMB1.48 billion, together with liquidated damages as stipulated in relevant agreements and relevant litigation fees and costs. If the court judgment is unfavourable to the Bank, in such event, the Bank may have to pay the bill payment and the liquidated damages. The Bank's directors and its legal advisor of this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this bill dispute litigation is low, therefore, no provisions have been made by the Bank for the estimated losses of this bill dispute litigation.

(f) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date. The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	At December 31,		
	2015	2016	2017
Redemption obligations	190,001	4,548	2,075

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(g) Risk fund relief obligations

The Bank has been a member of the Asia Financial Cooperation Association ("AFCA") since December 31, 2012, which has established a risk fund divided into equal shares. The price per share was equal to RMB100 million as at the fund establishment date. The Bank subscribed for 1 share with 10% cash and 90% cooperative obligation. This means the Bank has the obligation of providing support to the AFCA members through certain methods such as placement, within the limit of RMB90 million.

49 SUBSEQUENT EVENTS

(a) In accordance with the resolution on the capital increase of Jiangxi Financial Leasing Co., Ltd. ("JXFL") at the Bank's Annual General Meeting on April 20, 2017, the Bank subscribed for 1.02 billion shares at the price of RMB1.20 per share in JXFL on February 13, 2018. The capital increase had been verified.

(b) In accordance with the resolution at the Bank's Annual General Meeting on March 26, 2018, the shareholders approved the profit distribution plan for the year ended December 31, 2017 and declared cash dividends of RMB1.00 per 10 shares before tax and in an aggregation amount of RMB467.88 million to all existing shareholders of record on December 31, 2017.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Bank and its subsidiary in respect of any period subsequent to December 31, 2017.

The information set out below does not form part of the Accountants' Reports prepared by the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendices I to 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 Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 Liquidity coverage ratio and leverage ratio (%)

Liquidity coverage ratio

	At December 31, 2015	Average for the year ended 31 December 2015
Liquidity coverage ratio (RMB and foreign currency)	192.00%	192.00%

	At December 31, 2016	Average for the year ended 31 December 2016
Liquidity coverage ratio (RMB and foreign currency)	475.02%	356.63%

	At December 31, 2017	Average for the year ended December 31, 2017
Liquidity coverage ratio (RMB and foreign currency)	246.59%	329.55%

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 70%, 80% and 90% by the end of 2015, 2016 and 2017, respectively.

Leverage Ratio

	At December 31, 2015	At December 31, 2016	At December 31, 2017
Leverage Ratio	7.71%	6.23%	5.98%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Currency concentrations

	At December 31, 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,375,520	6,477	2,316	1,384,313
Spot liabilities	(1,269,039)	(4,664)	(1,663)	(1,275,366)
Net position	106,481	1,813	653	108,947

	At December 31, 2016			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,531,837	43,759	8,686	1,584,282
Spot liabilities	(1,506,607)	(37,514)	(1,860)	(1,545,981)
Net position	25,230	6,245	6,826	38,301

	At December 31, 2017			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,296,381	43,267	4,709	1,344,357
Spot liabilities	(850,419)	(33,585)	(1,768)	(885,772)
Net position	445,962	9,682	2,941	458,585

The Group has no structural position at the end of each of the Relevant Periods.

3 International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At December 31, 2015			
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	–	–	–	–
	–	–	–	–

	At December 31, 2016			
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	–	–	10,000	10,000
	–	–	10,000	10,000

	At December 31, 2017			
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	–	–	–	–
	–	–	–	–

4 Gross amount of overdue loans and advances

	At December 31,		
	2015	2016	2017
Gross loans and advances which have been overdue with respect to either principal or interest for periods of			
– between 3 and 6 months (inclusive)	717,325	417,209	278,699
– between 6 months and 1 year (inclusive)	1,151,323	630,045	894,765
– over 1 year	1,285,229	1,321,846	1,098,729
Total	3,153,877	2,369,100	2,272,193
As a percentage of total gross loans and advances			
– between 3 and 6 months (inclusive)	0.84%	0.39%	0.22%
– between 6 months and 1 year (inclusive)	1.34%	0.58%	0.69%
– over 1 year	1.50%	1.22%	0.85%
Total	3.68%	2.19%	1.76%

The information set forth in this appendix does not form part of the Accountants' Report prepared by the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set forth in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the Global Offering on the Group's consolidated net tangible assets attributable to Shareholders of the Bank as of December 31, 2017, as if the Global Offering had taken place on December 31, 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared on the basis of the financial information as of December 31, 2017 set out in Appendix I "Accountants' Report" to this prospectus. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the Group's consolidated net tangible assets attributable to the Shareholders of the Bank had the Global Offering been completed as of December 31, 2017 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Bank as of December 31, 2017	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Bank	Pro forma adjusted consolidated 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$5.94 per share	22,672.9	5,514.3	28,187.2	4.82	5.90
Based on an offer price of HK$6.66 per share	22,672.9	6,189.2	28,862.1	4.93	6.03

Notes:

(1) The consolidated net tangible assets attributable to Shareholders of the Bank as of December 31, 2017 are based on the consolidated net assets attributable to shareholders of the Bank of RMB22,713.7 million after (i) deduction of intangible assets of RMB41.0 million; and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB0.2 million.

(2) The estimated net proceeds from the Global Offering for the purpose of unaudited pro forma adjusted consolidated net tangible assets are based on the Offer Price of HK$5.94 per H Share (being the low-end of the proposed Offer Price range) and HK$6.66 per H Share (being the high-end of the proposed Offer Price range) and assumed that the underwriting fees and other related listing expenses payable by the Bank (excluding listing expenses of RMB0.2 million which have already been charged to consolidated statement of profit or loss during the Track Record Period) have been deducted, and that the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Bank do not take into account the financial results or other transactions of the Group subsequent to December 31, 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share attributable to Shareholders of the Bank are arrived on the basis of the above adjustments and 5,848,776,901 shares are expected in issue assuming that the Global Offering has been completed on December 31, 2017 and that the Over-allotment Option is not exercised.

(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per share are translated into or from Renminbi at the rate of RMB0.8176 to HK$1.00, the exchange rate set by the PBoC prevailing on June 5, 2018. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rate.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Jiangxi Bank Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jiangxi Bank Co., Ltd (the "Bank") and its subsidiary (collectively the "Group") by the directors of the Bank (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at December 31, 2017 and related notes as set out in Part A of Appendix III to the prospectus dated June 13, 2018 (the "Prospectus") issued by the Bank. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Bank (the "Global Offering") on the Group's financial position as at December 31, 2017 as if the Global Offering had taken place at December 31, 2017. As part of this process, information about the Group's financial position as at December 31, 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at December 31, 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Bank's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants,
Hong Kong

June 13, 2018

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Bank's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix VI – Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to the Bank. This summary is not intended to include all the information which may be important to potential investors. For discussion of laws and regulations which are relevant to our business, see "Supervision and Regulation" in this document.

PRC LAWS AND REGULATIONS

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, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC 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.

Pursuant to the Constitution and the Legislation Law of the People's Republic of China ("Legislation Law"), the National People's Congress ("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 formulates and amends laws other than those required to be enacted by the NPC and to supplement and amends 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 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 and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as 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 such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the People's congresses of the relevant 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 such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of such provinces or autonomous regions, a decision should be made to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, NAO and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules and regulations within the permissions of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules and regulations should be the matters related to the enforcement of laws and administrative regulations and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

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 application of laws in a court trial should be interpreted by the Supreme People's Court; issues related to the application of laws in a prosecution process of the procuratorates should be interpreted by the Supreme People's Procuratorate; and issues related to laws other than those mentioned above 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 administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret local regulations and rules is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Court 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 may set up civil, criminal and economic divisions, and certain people's tribunals based on the status 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 the people's courts at lower levels 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 and special people's courts.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts 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 courts 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 and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds any definite errors in a legally effective judgment, ruling or conciliation statement of the People's Court at any level, or if a people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of a people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial, or if the chief judge of a people's court at any level finds any definite errors in a legally effective judgment, ruling or conciliation statement of such court, and considers a retrial is preferred, he/she shall submit such case to the judicial committee of the people's court at the same level for discussions and decisions.

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 three times on October 28, 2007, August 31, 2012 and June 27, 2017, respectively, prescribes the conditions for instituting a civil action, the jurisdiction of the people's court, the procedures 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 actually 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 shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating an action or defending against a litigation at a people's court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign 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 people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, the people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's 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 legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by the 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 application for 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 against such party.

In accordance with an international treaty to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve legal documents, conduct investigation and evidence collection and conduct other actions on its behalf. Where a party requests for enforcement of a legally effective judgment or ruling made by a people's court, but the opposite party or his property is not within the territory of the People's Republic of China, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court, 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 social and public interest.

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 successively amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. The newly revised Company Law has been implemented since March 1, 2014.

The Special Regulations of the State Council 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 include provisions in respect of the overseas share offering and listing of joint stock limited companies.

The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System on August 27, 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed an overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association of the Bank. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with H Shares to be issued.

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 incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all property it owns and the liability of its shareholders to the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, over half of which must be residents within the PRC. The registered capital of a company established by promotion is the total share capital subscribed for by all its promoters registered with company registration authority. No share offering shall be made before the shares subscribed for by promoters are fully paid up. For companies established by share offering, the registered capital is the total paid-up share capital as registered with company registration authority. If laws, administrative regulations and decisions of the State Council provided otherwise on paid-in registered capital and the minimum registered capital, a 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' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration bureau for industry and commerce, 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 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 security companies established under PRC laws, and underwriting agreements shall be entered into. 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 is obliged to 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 laws must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. 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 after the subscription monies for the shares issued have been 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 after the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity 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 promoters shall be liable for:

- the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;
- 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
- the compensation of any damages suffered by the company in the course of its establishment as a result of the promoters' fault.

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 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 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. Each share of the same class 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 (whether an entity or an individual). The share offering price may be equal to or greater than the nominal value of the share, but may not be less than such nominal value.

A company must obtain the approval of CSRC to offer its shares to overseas public. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currencies. Shares issued to foreign investors (including 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, other than these regions mentioned 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 such overseas listed foreign 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:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase in Share Capital

Pursuant to the PRC Company Law, 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 to the public upon the approval by CSRC, a new share offering prospectus and financial accounting report must be announced and a subscription form must be prepared. After the new shares issued by the company has been paid up, the change must be registered with the relevant administration bureau for industry and commerce 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 establishment 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:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders at general meeting;
- the company shall notify its creditors of the reduction in share capital within 10 days and publish a related announcement in newspapers within 30 days from the day on which the resolution approving the reduction was passed;
- the creditors of the company are entitled to require the company to repay its debts or provide guarantees for such debts within 30 days from receipt of the notification or within 45 days from the date of the announcement if he/she/it has not received any notification; and
- the company must apply to the relevant administration bureau for industry and commerce for change in registration due to reduction in registered capital.

Repurchase of Shares

Pursuant to the PRC Company Law, a company may not repurchase its own shares other than for one of the following purposes:

- reducing its registered capital;
- merging with other companies which hold its shares;
- granting shares to its employees as incentives; and
- acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division.

The acquisition by a company of its own shares on the grounds set out in the 1st to 3rd circumstances 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 from the date of the acquisition under the 1st circumstance and transferred or cancelled within six months under the 2nd or 4th circumstance.

The acquisition by a company of its own shares under the 3rd circumstance under the first paragraph 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 legally. Pursuant to the PRC Company Law, 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 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 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws 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 that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

Pursuant to the PRC Company Law, 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 from the date of the company's listing on a stock exchange, nor within six months after they leave 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 the rights:

- to receive a return on assets, participate in significant decision-making and select management personnel;

- to petition the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, administrative regulations or the articles of association, 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;

- to transfer the shares of the shareholders legally;

- to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights;

- 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 inquiries in respect of the company's operations;

- to receive dividends in respect of the number of shares held;

- to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

- any other shareholders' rights provided for in laws, administrative regulations, other normative documents and 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:

- to decide on the company's operational objectives and investment plans;

- to elect and dismiss the directors and supervisors not being representative(s) of employees and to decide on the matters relating to the remuneration of directors and supervisors;

- to review and approve the reports of the board of directors;

- to review and approve the reports of the supervisory board;

- to review and approve the company's annual financial budgets proposals and final accounts proposals;

- to review and approve the company's profit distribution proposals and loss recovery proposals;

- to decide on any increase or reduction of the company's registered capital;

- to decide on the issue of corporate bonds;

- to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

- to amend the company's articles of association; and

- 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 upon the occurrence of any of the following:

- the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;

- the total outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

- shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting;

- the board deems necessary;

- the supervisory board so proposes; or

- 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 recommended 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, the supervisory board shall convene and preside over the shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over the shareholders' general 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 the shareholders' general 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 prior to 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 prior to the meeting. A single shareholder who holds, or several shareholders who jointly hold, more than three percent of the shares of the company may submit an interim proposal in writing to the board of directors within 10 days before the general meeting. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall provide clear agenda and specific matters for a resolution is to be made. A general meeting shall not make any resolution in respect of any matter not set out in the abovementioned two types of notices. Holders of bearer share certificates who intend to attend a general meeting shall deposit their share certificates with the company during the time from five days before the meeting to the conclusion of the meeting.

In accordance with the Mandatory Provisions, a written notice of the general meeting stating, among other things, matters to be considered at the meeting as well as the time and venue of 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.

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 notify shareholders again within five days by announcement of the matters to be considered at the meeting as well as the date and venue of the meeting, and the general meeting may be held by the company thereafter.

Pursuant to the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

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.

Pursuant to the PRC Company Law, 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 resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, in each case of which must be passed by more than 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 and such other matters must be approved by way of resolution of the general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson 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.

Pursuant 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 division, 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 more than two-thirds of the voting rights held by shareholders (including his/her proxies) present at the meeting.

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 of Directors

A company shall have a board of directors which shall consist of 5 to 19 members. Members of the board of directors 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 re-elected 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 of directors may exercise its powers:

- to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- to decide on the company's operational plans and investment proposals;
- to formulate proposals for the company's annual financial budgets and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- to decide on the setup of the company's internal management organs;
- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- to formulate the company's basic management system; and
- to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors 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 proposed to be convened by shareholders representing more than 10% of the voting rights, more 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 interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors 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 board meetings 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.

If a resolution of the board of directors violates any laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where no more than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where no more than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where no more than three years have elapsed since the date of such revocation; and
- a person who is liable for a relatively large amount of debts that are overdue.

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.

Pursuant to the PRC Company Law, 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 jointly elected by more than half of the directors shall perform his/her duties.

Board of Supervisors

A company shall have a board of supervisors composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management members shall not act concurrently as supervisors.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of all the supervisors. Pursuant 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 all 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 elected by more than half of the supervisors shall convene and preside over supervisory board meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. 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:

- to review the company's financial position;
- 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 resolutions of the shareholders' general meetings;
- 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;

- 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;

- to submit proposals to the shareholders' general meetings;

- to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

- to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. 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

Pursuant to the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

- to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

- to arrange for the implementation of the company's annual operation plans and investment proposals;

- to formulate proposals for the establishment of the company's internal management organs;

- to formulate the fundamental management system of the company;

- to formulate the company's specific rules and regulations;

- to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

- to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

- to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

Pursuant to the PRC Company Law, senior management refers to 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 and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and shall be obliged to be faithful and diligent towards the Company.

Directors, supervisors and management personnel are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

- misappropriating company funds;
- depositing company funds into accounts under their own names or the names of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;
- entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;
- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company and operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- accepting commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential information of the company; and
- other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes laws, administrative regulation or the 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 inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for more than 180 days may request in writing that the board of supervisors institutes litigation at the people's court. Where the supervisors violate laws, administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at the people's court on its behalf. If the board of supervisors or the board of directors 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 the 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 the 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 the people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of good faith to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company 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 laws, administrative regulations and the regulations of the competent financial departments under 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 laws, administrative regulations and the regulations of the financial departments under the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall announce 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 more than 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 its own shares held by it.

The premium from issue of shares at a issue price over the nominal value per share of the company on issue and other income as required by financial department under the State Council 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 engagement 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 of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal, withholding or falsification of data.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's financial statements 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 statutory common reserve fund is provided.

The Special Regulations require that any dividend and other distribution to holders of H Shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than 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 the Mandatory Provisions will only be effective upon approval of the department in charge of company examination authorized by the State Council and approval of the securities regulatory department under the State Council, while the amendment to articles of association involving matters of company registration shall be registered with the relevant authority in accordance with laws.

Dissolution and Liquidation

Pursuant to the PRC Company Law, a company shall be dissolved for any of the following reasons:

- the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- the company shall be dissolved by reason of its merger or division;
- 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
- the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all 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 ongoing existence of the company a cause for significant losses to the shareholders' interests.

If the 1st circumstance above occurred, 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 above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved due to the 1st, 2nd, 4th or 5th circumstance above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or other persons determined by a shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for setting up a liquidation committee with designated relevant personnel to conduct 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 following powers during the liquidation:

- to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;
- to notify the company's creditors or publish announcements;
- to deal with any outstanding business related to the liquidation;
- to pay any overdue tax together with any tax arising during the liquidation process;
- to settle the company's claims and liabilities;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days from 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 report all matters relevant to the creditors rights he has claimed 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 it to a shareholders' general meeting or the People's Court for endorsement. The remaining assets of the company's property 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 conduct 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 the 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 prepare a liquidation report and submit it to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the company registration authority for the cancellation of company registration, and an announcement of its termination shall be published. Members of the liquidation committee shall be faithful in the discharge of their duties and shall perform their liquidation duties in accordance with laws. Members of the liquidation committee may not take bribes or other illegal income by utilizing their authorities and may not misappropriate the company's properties. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence, should be liable for making compensations to the company or its creditors.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with 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 shares and domestic shares by CSRC, the board of directors of the company may make arrangement to implement such plans for the issuance of 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. Upon the people's court's declaration that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

A separate procedure regarding the loss of share certificates and H Share certificates of the overseas-listed foreign shareholders of the PRC is provided for in the Mandatory Provisions, details of which are set out in the articles of association.

Merger and Division

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 from the date of passing the resolution approving the merger notify their respective creditors and public the announcement of the merger in newspapers within 30 days. A creditor may, within 30 days from the date of reception of the notification, or within 45 days from the date of the announcement if he has not received such notification, request the company to settle any outstanding debts or provide corresponding 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 division, the company's assets shall be divided correspondingly and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days from the date on which the aforementioned resolution was passed and publicly announce the division in newspapers within 30 days. Except for the agreement in writing between the company and its creditors in respect of the settlement of debts before a division, the relevant liabilities of the company accrued prior to the separation shall be jointly borne by the separated companies.

Changes in the registration as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with 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.

The Securities Laws of the PRC (the "PRC Securities Laws") and Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of the Shares and disclosure of information. 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.

On April 22, 1993, the State Council promulgated 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 relevant application and approval procedures for public offerings of shares, issuing and trading of shares, the acquisition of listed companies, maintaining, clearing and transferring of shares, 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 at August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. It was the first national securities law in the PRC that comprehensively regulates activities in the PRC securities market. It is divided into 12 chapters and 240 articles with contents include 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. 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 regulations and rules promulgated by the State Council and CSRC.

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. The PRC Arbitration Law 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 provisions in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the involved parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong, the Listing Rules also require the contracts between the company and each director or supervisor shall include arbitration clauses. Pursuant to such clause, whenever a dispute or claim arises from right and 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 China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. 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 Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If one party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. With the verifications of collegial bench formed by the people's court, it may refuse to enforce an arbitral award made by arbitration commission if there is any procedural irregularity (including, but not limited to, irregularity in the composition of arbitration tribunal or arbitration proceedings or the making of an award on matters beyond the scope of the arbitration agreement or outside the jurisdiction of the arbitration commission).

Any party seeking to enforce an 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 relevant matters for recognition and 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 treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") passed 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 apply the New York Convention to the recognition and enforcement of arbitral awards made in the territory of another contracting state based on the principle of reciprocity; and (ii) the New York Convention will only apply to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (關於內地與香港特別行政區相互執行仲裁裁決的安排), which became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Pursuant to this arrangement, awards made by Mainland arbitral authorities acknowledged by Hong Kong can be enforced in Hong Kong, and awards made by Hong Kong arbitral authorities according to the Arbitration Ordinance of Hong Kong SAR are also enforceable in mainland China. Where a court of the Mainland considers that the enforcement in the Mainland of a ruling made by Hong Kong arbitral authority will violate the social public interests of the Mainland, or a court of Hong Kong SAR considers that the enforcement in Hong Kong SAR of the arbitral awards will be against the public policies of Hong Kong SAR, execution of such ruling may be ignored.

Summary of Material Differences Between Hong Kong and Company Law

The Hong Kong laws applicable to a company incorporated in Hong Kong are the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and are 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, the Bank is 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 under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Incorporation of Corporate

Under the Hong Kong Company Law, a company with share capital shall be 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 Company Law which came into effect on March 1, 2014, has no provisions on minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies, in which case the company should follow such provisions.

Hong Kong law does not prescribe 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 the Bank's registered capital must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC 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. There is no such restriction on companies incorporated in Hong Kong under Hong Kong law.

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 transfer procedures of property rights 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 the Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC laws, the Bank's Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the government or government-authorized departments, 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 foreign currency, may only be subscribed for and traded by investors from Hong Kong, Macau, Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. However, qualified institutional investors and individual investors may trade the Southbound Hong Kong Trading Link and the Northbound Shanghai Trading Link (or the Northbound Shenzhen Trading Link) shares via participating in the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares transferred each year by the directors, supervisors and senior management of a joint stock limited company 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 such person 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 shareholding and transfers of shares under Hong Kong law apart from six-month lockup on the company's issue of shares and the twelve-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 special restrictions provisions on a company and its subsidiaries on providing aforesaid 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 separate 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. The relevant provisions have been incorporated in the Articles of Association, summary of which is set out in "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 of shares at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of the relevant class of shares, 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.

Supervisory Board

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of supervisory board. There is no mandatory requirement for the establishment of supervisory board 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 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

Pursuant to Hong Kong law, minority shareholders may 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 more than 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisory board violates their obligations and cause damages to 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 aforesaid written request from the shareholders, if the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of 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 also provides 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 of the company in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the business 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, if the application of members reaches a specified number, 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 Company Law provides that, a company which encounters substantial difficulties in its operation and management and its continuance will cause significant loss to the interests of its shareholders, shareholders of the company who hold more than ten percent of the voting rights of all shareholders may, when no other solutions, apply to a people's court for the dissolution of the company. The Mandatory Provisions, however, provides that a controlling shareholder shall 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 to shareholders at least 20 days and 15 days before the date of such meeting, respectively. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders before the meeting and shareholders who wish to attend the meeting must send their writing replies to the company 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 the Companies Ordinance, the quorum for a general meeting must be at least two shareholders unless the articles of association of the company otherwise provided. For companies with only one shareholder, the quorum must be one shareholder. The PRC Company Law does not specify the quorum for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that shareholders' general meetings of the company may only be convened after replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights of the company at least 20 days before the proposed date of the meeting, or if the replies of shareholders is not reached 50% of the voting rights, the company shall notify its shareholders again within five days by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under the Companies Ordinance, an ordinary resolution of shareholders' general meetings should be passed by more than half of the votes and a special resolution of shareholders' general meetings should be passed by no less than 75% of such votes. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights held 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 held 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 issued 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's annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC laws to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions requires that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international accounting standards or accounting standards of the overseas listing place, and such 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 the PRC GAAP. The lower of the after-tax profits stated in the abovementioned two kinds of financial statements shall prevail in the allocation of after-tax profits for the accounting year. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, while an annual financial report shall be published within 120 days after the end of each accounting 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, share register, counterfoil of company debentures, resolutions of board meetings, resolutions of the supervisory board 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 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 the PRC laws 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 the PRC laws, merger, division, dissolution or change the form of a joint stock limited company has to be approved by shareholders at the shareholders' 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 Hong Kong International Arbitration Centre or the China International Economic and Trade Arbitration Commission, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited company is required to make transfers equivalent to 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 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 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 under special 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.

Listing Rules

The Listing Rules provide additional requirements which apply to the Bank 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 the Bank.

Compliance Advisor

A company planning to list 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, together with 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, unless a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor 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) Hong Kong Financial Reporting Standards; 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, any termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are other 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 billion.

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 good 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 requirements of 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 general meetings conducted in accordance with the proceedings required by the articles of association of the company before share repurchases. In seeking approvals, a listed company is required to provide data 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, to the best of directors' knowledge, the consequences (if any) of repurchase of shares which will arise under either or both of the Code on Takeovers and Mergers and Share Buy-Backs formulated by the Securities and Futures Commission of Hong Kong and/or any similar PRC laws. 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 unless (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 of the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Bank'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 relevant rules governing dealings by the supervisors in securities of the Bank 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 itself 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 and the Listing Rules.

Documents available 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 the Bank's issued share capital;
- the Bank's 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 the Bank since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum amounts paid in respect of each class of securities repurchased (including a classification by class shares);
- copy of the latest annual reports with the SAIC or other competent PRC authority; 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. Such monies will be held by the receiving agents, 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 it (acting both for the company and for each director, supervisor, manager and other senior management) agrees 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 or 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 bodies 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 the company 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 the company acting as agent for each shareholder to observe and comply with every obligation to the Shareholders as stipulated in the articles of association; and

- an arbitration clause which provides that whenever any differences or claims arise from the contract, the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between the Bank and its directors or senior management and between a holder of H Shares and a director or senior management, such differences or claims shall be referred to arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre 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 also submit to the arbitral body elected by the claimant. Such arbitration shall be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of the Hong Kong International Arbitration Centre. The arbitration of disputes or claims referred to above are applicable to PRC laws, unless otherwise provided by law or administrative regulations. The arbitral 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 as the provisions above.

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 laws 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 such changes in the PRC laws 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 of shares.

Other Legal And Regulatory Provisions

Upon the listing on the Hong Kong Stock Exchange, the relevant provisions of the SFO, the Hong Kong Takeovers Code and other relevant ordinances and regulations will apply to a PRC issuer.

Securities Arbitration Rules

The Securities Arbitration Rules of the Hong Kong International Arbitration Centre contain provisions allowing, upon application by any party, an arbitral tribunal may 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 arbitral tribunal shall, where satisfied that such application is based on bona fide grounds, order the arbitration 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 arbitrator is not permitted to enter Shenzhen, then the arbitral 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 laws or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of the principal provisions of the Bank's Articles, the objective of which is to provide investors with an overview of the Bank's Articles.

As the information contained below is in summary form, it may not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of the Bank's Articles are available for inspection as mentioned in "Appendix VIII-Documents Delivered to the Registrar of Companies and Available for Inspection".

Our Articles were adopted by the Bank's Shareholders in the Shareholders' general meeting held on September 15, 2017 and were approved by the CBRC Jiangxi Office on January 22, 2018. The Bank's Articles will become effective on the date that the Bank's H Shares are listed on the Hong Kong Stock Exchange.

THE POWER OF DIRECTORS AND OTHER SENIOR MANAGEMENT TO ALLOT AND ISSUE SHARES

There is no provision in the Bank's Articles empowering the Directors to allot and issue shares.

To increase the capital of the 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 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 months preceding such proposal for disposal exceeds thirty-three percent 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' general meeting. 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.

A breach of the above paragraph shall not affect the validity of transactions entered into by the Bank in disposing of fixed assets.

REMUNERATIONS 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 aforesaid "remunerations" 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);

(d) compensation to Directors or Supervisors for loss of 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 to be 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" mentioned in this paragraph refers to one of the following circumstances:

(a) a takeover offer made by any person to all Shareholders;

(b) a takeover offer made by any person with the intent of becoming a controlling shareholder. Please see the definition 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 proportional distribution of such amounts, 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 loans or loan guarantees 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 provision shall not apply to 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, with which the foregoing persons can make payments in the interests of the Bank or for the expenses incurred in performing their duties and responsibilities for the Bank;

(c) loans and loan guarantees can be provided by the Bank to the relevant Directors, Supervisors, 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 above, 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 branches and sub-branches and 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 intend to purchase the Bank's shares. The aforementioned purchasers include both persons who have directly or indirectly assumed obligations due to purchasing the Bank's shares.

The Bank or its branches and sub-branches and 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 obligors arising from their purchase or purchasing intention of.the Bank's shares.

The acts listed below are not prohibited by the preceding two paragraphs, subject to any prohibitions by laws and administrative regulations:

(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 an overall plan of the Bank;

(b) the lawful distribution of the Bank's properties 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 our Articles;

(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);

(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" referred to in our Articles for these purposes shall include, without limitation, the following means:

(a) financial assistance given as gifts;

(b) financial assistance given by guarantee (including the assumption of liability by the guarantor or the provision of properties 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, and the assignment of rights arising under such loans or agreement;

(d) any other form of financial assistance given by the Bank when the Bank is insolvent, has no net assets, or under any other situations when its net assets would be reduced to a material extent.

The "obligations" referred to in the Bank's Articles shall include the obligations of an obligor which have arisen by entering into an agreement or making an arrangement (regardless of whether such 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, Supervisors and senior management personnel of the Bank having any direct or indirect 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 and 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, President and other 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 of that the Directors, Supervisors, President and other senior management personnel are in breach of their obligations.

If a connected person of a Director, Supervisor or senior management personnel of the Bank has any conflict of interests with any contract, transaction or arrangement, the Director, Supervisor or 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 any Directors, Supervisors or senior management personnels 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, President and other senior management personnel concerned shall be deemed to have made the disclosure as required above to the extent as set out in the notice. The Bank shall make an appropriate insurance arrangement against legal actions that the Directors may be exposed to.

REMUNERATION

The remuneration of Directors must be approved by Shareholders at a Shareholders' general meeting. Please see "–Remunerations and Compensation for Loss of Office" above.

APPOINTMENT, REMOVAL AND RETIREMENT

The Board of the Bank shall be composed of thirteen to nineteen Directors, of which the total number of independent Directors shall account for no less than three and shall be no less than one third of the total number of Directors. Directors shall be elected or removed from office by Shareholders at a Shareholders' 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 Board shall have one chairman, which shall be elected or removed from office by more than half of all Directors.

During the election of members for the next session of the Board, the Remuneration and Nomination Committee of the Board, and Shareholders individually or jointly holding above three percent of the Bank's total shares in issue with voting rights can nominate candidates for Directors to the Board according to the number of Directors to be elected to the extent of the number specified in our Articles; the Remuneration and Nomination Committee of the Board, and Shareholders individually or jointly holding above one percent of the Bank's total shares in issue with voting rights can nominate candidates for independent Directors to the Board. In principle, a same shareholder and its related person may only nominate one independent director candidate, and a shareholder who has nominated director(s) shall not nominate an independent Director. 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 in the Bank shall not be more than six years on an accumulative basis.

In principle, the number of directors nominated by the same shareholder and his/her connected person shall not exceed one third of the total members of the Board.

The qualifications of the Directors and senior management personnel shall be verified by the banking regulatory authorities and their local offices.

No person shall hold the position of Director, Supervisor, President or other 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 convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market-oriented economic order, or who has been deprived of his political rights due to his crimes;

(c) a person who has been a former Director, factory Director or manager of a company or an enterprise that has entered into insolvent liquidation due to poor management, and who was personally liable for the insolvency of such company or enterprise;

(d) a person who has been a legal representative of a company or an enterprise which has had its business license revoked and has been ordered to close down by law due to violations of such law and the person was personally liable;

(e) a person who is liable for a relatively large amount of outstanding debts that are overdue;

(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 in an enterprise 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 years have elapsed since the ruling;

(j) other persons banned from holding leadership positions in enterprises as stipulated by laws, regulations and the Articles of Association.

(k) a person who has been determined by banking regulatory authorities to be banned from holding the position of Director, Supervisor, President or other senior management personnel of banking financial institutions.

The validity of any act by a Director or senior management personnel of the Bank 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.

CREDIT POWERS

Our Articles 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 or other securities issued by the Bank; and

(b) provisions which provide that the issuance and listing of the Bank's bonds or other marketable securities shall be approved by the Shareholders' general meeting by a special resolution.

AMENDMENTS TO THE ARTICLES OF OUR BANK

In any of the following circumstances, the Bank shall amend the Articles:

(a) if upon amendments to the PRC Company Law or relevant laws and administrative regulations, any terms contained in the Articles become inconsistent with the provisions of the amended laws and administrative regulations;

(b) a change in the Bank causes inconsistence with those contained in the Articles;

(c) a resolution being passed by the shareholders' general meeting to amend our Articles.

If the amendments to our Articles are subject to approval by relevant competent authorities, the amendments to our Articles adopted at the Shareholders' general meeting shall be reported to the competent authority for approval; 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 the Bank's Articles by 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 number of the shares of that class, or increase or reduce the number 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 or 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;

(l) to revise or nullify the provisions under our Articles.

Where issues specified in (b) to (h), (k) to (l) of the preceding provisions are involved, the affected class shareholders, whether or not they are entitled to vote at Shareholders' general meetings originally, shall have the right to vote at class general meetings. However, the Shareholders with conflicts of interests 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 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 Bank's Articles, 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 Bank's Articles 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 foreign 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 foreign shares every twelve months, provided that the amount of each class of shares intended to be issued is not more than twenty percent of the issued and outstanding shares of the respective class;

(b) the Bank's plan on issuing domestic shares and overseas listed foreign shares at the time of establishment, which is completed within fifteen months from the date of approval from securities regulatory authorities under the State Council;

(c) with the approval of relevant regulatory authorities such as banking regulatory and administrative authorities and securities regulatory authorities under the State Council, a Domestic Shareholder of the Bank has converted the unlisted shares held by him/her into overseas listed shares, and such shares are listing and trading on the overseas stock exchange.

For the purposes of the class rights provisions of our Articles, 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 our Articles 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 our Articles;

(b) if the Bank has repurchased its own shares under an off-market agreement in accordance with our Articles, "Shareholders with conflicts of interests" shall mean Shareholders who are connected with the aforementioned agreement;

(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 made by a Shareholders' general meeting shall be approved by a simple majority of voting rights held by the Shareholders (including their proxies) attending the meeting.

Special resolutions made by a Shareholders' general meeting shall be approved by above two-thirds of voting rights held by the Shareholders (including their proxies) attending the meeting.

VOTING RIGHTS

A Shareholder (including his/her proxy) shall exercise his/her voting rights based on the number of shares with voting rights represented by him/her. Each share shall have one vote. However, the Bank's shares held by the Bank have no voting rights, and will not be counted into the total voting shares present in the shareholders' general meeting.

Any votings of the shareholders at a Shareholders' General Meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to procedures or administrative matters to be voted by a show of hands. All votings, whether by poll or by a show of hands, shall be conducted in open ballot.

On a poll taken at a meeting, a Shareholder (including his/her proxies) who is entitled to two or more votes needs not to use all of his/her votes for, against or abstention in the same way.

REQUIREMENT FOR ANNUAL GENERAL MEETINGS

The annual general meeting shall be held once a year and within six months after the previous financial year end.

ACCOUNTS AND AUDIT

The Bank shall establish its financial and accounting system in accordance with laws, administrative regulations and the provisions of the financial department under the State Council.

The Board of our Bank has an Audit Committee. The number of members of the Audit Committee shall be no less than three, and among which the majority shall be independent Directors. All members of the Audit Committee shall be non-executive Directors, with one member having the appropriate qualifications as provided for in the Listing Rules or an independent Director having the appropriate accounting or relevant financial expertise at least.

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 of the overseas 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 publish its financial report twice in each financial year, i.e. publish the interim financial report within sixty days after the end of the first six months of each financial year and publish its annual financial report within one hundred and twenty days after the end of each financial year.

The interim results or financial information published or disclosed by the Bank shall be prepared in accordance with the PRC accounting standards and regulations, as well as the international accounting standards or the accounting standards of the overseas locality where the Bank's shares are listed.

The financial reports of the Bank shall be made available for the Bank twenty days or earlier before the convening of the annual general meeting for the inspection and review of Shareholders. Each Shareholder of the Bank shall be entitled to obtain the financial reports mentioned in our Articles.

Except as otherwise provided in the Bank's Articles, the Bank shall send the aforesaid report or report of the Board along with the balance sheet and income statement or income and expenditure statement to each Shareholder of overseas-listed and foreign-invested shares by pre-paid post at least twenty-one days prior to the convening of the Shareholders' general meeting. The address of the recipients shall be the address registered in the register of Shareholders. If the securities regulators in the place where the Shares of the Bank are listed have regulations otherwise, such regulations 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 months from the date of occurrence of any of the following events:

(a) the number of Directors is less than the number required by the PRC Company Law or less than two-thirds of the number stipulated in our Articles;

(b) the outstanding loss of the Bank is at least one-third of the Bank's total paid-up share capital;

(c) when Shareholders who individually or jointly holding more than ten percent of the Bank's shares with voting rights request in writing to convene an extraordinary general meeting, the number of Shares held by the Shareholders shall be calculated as at the date of request in writing made by him/her;

(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 or the only two independent Directors unanimously agree on the proposal of convening;

(g) above half of the external supervisors or the only two external supervisors unanimously agree on the proposal of convening;

(h) any other circumstances as stipulated by laws and regulations or our Articles.

When the Bank is to convene a general meeting, the conveners shall issue a written notice before forty-five days from 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 days before the general meeting is convened.

The Bank shall calculate the number of voting shares represented by Shareholders who wish to attend the meeting based on the written replies received twenty days before the Shareholders' general meeting that is convened by the Bank. Where the number of voting shares represented by Shareholders who wish to attend the meeting reaches above half of the total voting shares of the Bank, the Bank may convene the Shareholders' general meeting. If this threshold is not met, the Bank shall again inform the Shareholders within five days via an announcement stipulating the matters to be considered and the date and venue of the meeting. Once this announcement is made, the Bank may then proceed to convene the Shareholders' general meeting.

The notice of a Shareholders' general meeting shall:

(a) be issued in writing;

(b) specify the time, venue, duration and form of the meeting;

(c) contain the matters and proposals for deliberation and state the matters to be discussed at the meeting;

(d) specify the Shareholders who are entitled to attend the Shareholders' general meeting and the date of registration of his/her shareholdings;

(e) provide to Shareholders with all necessary information and explanation to enable Shareholders to make informed decisions on the matters to be discussed. This means that when (including but 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;

(f) if any of the Directors, Supervisors, President and other 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, President and other senior management personnel as Shareholders compared to other Shareholders of that same class, they shall explain this difference;

(g) the full text of any proposed special resolution to be voted on at the meeting;

(h) the time and venue for delivering the proxy form authorizing the proxy to vote of the relevant meeting;

(i) a prominent statement stating that a Shareholder entitled to attend and vote at the meeting, is entitled to appoint one or above proxy to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Bank;

(j) the name and phone number of the contact person of the meeting;

(k) other requirements stipulated by laws and regulations and our Articles.

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 newspapers and websites specified by laws and regulations or relevant domestic regulators between the forty-five to fifty day interval prior to the date on which the meeting is to be convened. All holders of domestic shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.

Subject to laws and regulations, listing rules of the place where the shares of the Bank are listed, our Articles and the relevant regulations of the relevant securities regulators, the Bank may also send or dispatch the aforesaid notices of general meeting to the holders of H shares through the websites of the Bank and the Hong Kong Stock Exchange.

The Shareholders' general meeting shall be an organ of power of the Bank. It may exercise the following powers in accordance with the law:

(a) to decide on the business policies and significant 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; to review the performance assessment reports of Directors and Supervisors prepared 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 loss recovery plans;

(g) to adopt resolutions concerning the increase or reduction in the Bank's registered capital and on repurchase of the Bank's shares;

(h) to adopt resolutions on the issuance of bonds or other marketable securities and the listing;

(i) to examine the disposal of (including but not limited to sale, acquisition, writing-off, securing and non-operational guarantee and etc.) material assets with an amount exceeding 30% of the total assets derived from the latest audited financial statements of the Bank in any consecutive twelve months;

(j) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Bank;

(k) to examine the proposals raised by the Shareholders holding above three percent of the Bank's shares with voting rights;

(l) to examine the proposals of amendments on our Articles, the rules of procedures for Shareholders' general meetings, the rules of procedures for the Board of Directors, and the rules of procedures for the Board of Supervisors;

(m) to adopt resolutions on the engagement, dismissal or discontinuation of the appointment of the accounting firm;

(n) to examine and approve matters in relation to the change in use of raised funds;

(o) to examine the share incentive schemes;

(p) to examine laws and regulations, listing rules of the places where the shares of the Bank are listed, or other issues which should be decided by the Shareholders' general meeting as stipulated by our Articles.

The following matters shall be approved by ordinary resolutions at a general meeting:

(a) reports of the Board;

(b) reports of the Board of Supervisors;

(c) profit distribution plans and loss recovery plans of the Bank;

(d) appointment and dismissal of Directors and Supervisors which are not appointed as representatives of the employees and matters relating to the remunerations of such Directors and Supervisors;

(e) annual the proposed annual financial budget and final accounts of the Bank;

(f) business policies and investment plans of the Bank;

(g) the balance sheet, statements of profits and other financial statements of the Bank;

(h) matters other than those stipulated by laws and regulations or our Articles to be approved by special resolutions.

TRANSFER OF SHARES

Except as otherwise provided for in the laws and regulations, the Shareholders of the Bank shall not withdraw their Shares. Unless otherwise specified by laws, administrative regulations, the regulations of the securities regulatory authorities in the locality in which the shares of the Bank are listed and our Articles, 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 overseas listed foreign shares listed on the Hong Kong Stock Exchange (H Shares) may be freely transferred in accordance with the Bank's Articles. However, the Board may refuse to recognize any documents for the transfer of H Shares without stating any reasons unless the conditions stipulated below are met:

(a) all transfer documents and other documents relating to or affecting the title of any shares or securities registered are required to be registered, with registration fees paid to the Bank based on the standards prescribed by the Listing Rules, and not exceeding the maximum amount prescribed by the Listing Rules from time to time;

(b) transfer documents are only in relation to overseas listed foreign shares listed on the Hong Kong Stock Exchange (H Shares);

(c) stamp duty (as stipulated by Hong Kong law) in relation to 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 shall not be more than four; 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 or other relevant administrative authorities in transferring its shares.

The Directors, Supervisors and senior management personnel of the Bank shall notify the Bank their holding of shares in the Bank and changes of their holdings. The shares transferred in any year during their tenures shall not exceed twenty-five percent of the total number of the shares in the Bank held by them; the shares in the Bank held by them are not transferable within one year from the date on which the Bank's shares are listed and traded; the shares in the Bank held by them shall not be transferred within six months upon the completion of their terms of office.

Shares issued prior to the Bank's initial public offering are not transferable within one year from the date on which the Bank's shares are listed on the stock exchange.

No changes shall be made to the register of shareholders as a result of a transfer of shares either within thirty days prior to the date of a general meeting, or within five days before the benchmark date set by the Bank for the purpose of distribution of dividends. If the securities regulatory authorities of the place where shares of the Bank are listed provide otherwise, such provisions shall prevail.

Pledge of Shares

The Bank does not accept shares of the Bank as the subject of pledges.

If the Shareholders pledge their shares in the Bank to provide guarantees for themselves or others, they shall comply strictly with laws and regulations and the requirements of banking regulators, 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 two percent 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. Filing shall not be made if the Board determines that it has material adverse effect on the stability of the Bank's shareholdings, corporate governance, risks and control over its related (connected) transactions. 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.

Shareholders shall not pledge the Bank's shares if the outstanding balance of the loans they have borrowed from the Bank exceeds the net book value of the Bank's shares held by them derived from the audited consolidated financial statements in the previous year, or if the shares in the Bank held by them are still subject to the restriction period for transfer.

If Shareholders (substantial shareholders in particular) fail to repay the loans granted by the Bank when due, or when the number of shares pledged by them reaches or exceeds fifty percent of the total shares in the Bank held by them, the voting rights of such Shareholders at Shareholders' general meetings and the voting rights of the Directors appointed by such Shareholders at meetings of the Board shall be correspondingly terminated until the relevant circumstances come to an end. During the period when Shareholders (substantial shareholders in particular) fail to repay the loans granted by the Bank when overdue, the Bank shall have the right to take priority to apply the dividends and bonuses receivable by such Shareholders, and the property distributed to them at the time of liquidation of the Bank, to repay their loans borrowed from the Bank.

POWER OF OUR BANK TO REPURCHASE OUR OWN SHARES

The Bank may repurchase its issued shares in the following circumstances:

(a) reduction of the Bank's registered capital;

(b) merging with another company holding shares in the Bank;

(c) granting of shares to employees of the Bank as reward;

(d) requests to the Bank for acquiring their shares from Shareholders who have voted against the resolutions passed at a Shareholders' general meeting on the merger or division of the Bank;

(e) other circumstances stipulated by laws and regulations.

Except for the circumstances set out above, the Bank shall not be engaged in any activities of buying and selling its Shares.

Approval shall be obtained at a general meeting when the Bank is to repurchase its own shares because of the circumstances set out in (a) to (c) above. After the Bank has repurchased its own shares in accordance with the preceding provision, the shares so repurchased shall be cancelled within ten days from the date of purchase (under the circumstances set out in (a)), or shall be transferred or cancelled within six months (under the circumstances set out in (b), (d)).

The shares of the Bank repurchased by the Bank under the circumstances set out in (c) above shall not exceed five percent of the total issued shares of the Bank. The funds for repurchase of such shares shall be paid out of the Bank's profits after tax, and the acquired shares shall be transferred to the Bank's employees within one year.

The Bank may conduct the repurchase of its shares in one of the following manners:

(a) to make an offer to repurchase to all of its Shareholders in the same proportion;

(b) to repurchase Shares through public trading on a stock exchange;

(c) to repurchase by way of agreement over the counter;

(d) by other means stipulated by laws and regulations and permitted by relevant competent authorities.

A prior approval shall be obtained from a general meeting in respect of any share repurchase by the Bank through an off-market agreement instead of on a securities exchange in accordance with the provisions of our Articles. After the general meeting has given its approval in the same way, the Bank may rescind or alter any contracts entered into in the said manner or waive any rights under such contracts.

The contract to repurchase shares as referred to in the paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase shares.

Bank shall not assign a contract for repurchasing its shares or any of its rights thereunder.

Where the Bank has the right to repurchase redeemable shares by means other than repurchases through the market or by tender, the repurchase price shall be limited to a maximum price; if repurchases are made by tender, an invitation for tenders shall be made to all shareholders alike.

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 issuance of new 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 issuance of new 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 issuance of new shares for that purpose. However, the amount deducted from the proceeds of issuance of new 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.

If there are provision(s) to the contrary regarding the financial treatment of the aforementioned share repurchases in laws, administrative regulations and relevant regulations of the relevant regulatory authorities, such provision(s) shall prevail.

RIGHT OF THE BANK'S SUBSIDIARIES TO OWN SHARES IN OUR BANK

There are no provisions in our Articles preventing a subsidiary of our Bank from owning any of our shares.

DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Bank may distribute dividends in cash or by Shares.

The 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 so appointed may exercise the following powers at a Shareholders' general meeting:

(a) the shareholder's right to speak at a Shareholders' general meeting;

(b) to severally or jointly request to vote by ballot;

(c) to vote by a show of hand or ballot, but only by ballot when there is more than one proxy.

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 at least twenty-four 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 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 attorney, be placed at the Bank's domicile or any other place designated in the notice of Shareholders' general meeting.

Where the proxy is a legal person, its legal representative or proxies authorized by the resolutions of the Board and other decision-making bodies shall be represented to attend the general meeting of the Bank.

If the proxy has passed away or lost his/her ability to act or withdrawn the authorization or withdrawn the authorization of the signed proxy form or has transferred all of his/her shares prior to voting at the Shareholders' general meeting, 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

The 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.

The 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:

(a) the Bank has distributed dividends on such shares at least three times in a period of twelve years and the dividends are not claimed by anyone during that period;

(b) 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 request, convene, preside over, attend or appoint a proxy to general meetings according to laws, and to exercise voting rights based on the number of the Shares held by him;

(c) to supervise the operations of the Bank, and to make suggestions and enquiries accordingly;

(d) to transfer, bestow or pledge of the shares held by them in accordance with the laws and regulations, relevant requirements of the securities regulatory authorities of the place where the Bank's shares are listed and the regulations of the Bank's Articles;

(e) to obtain relevant information in accordance with the laws and regulations, the relevant provisions stipulated by the securities regulatory authorities in the locality in which the shares of the Bank are listed and our Articles, including:

  (i) to obtain a copy of the Bank's Articles after paying the costs and expenses incurred; and

  (ii) During the office hours of the Bank, 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 issue of audited financial statements, Directors' reports, auditors' report and report of the Bank's Board of Supervisors;

- the latest issue of annual report already submitted to the State Administration for Industry and Commerce of PRC or other competent authorities for filing.

(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);

(h) Shareholders individually or jointly holding more than three percent of the Bank's total shares in issue with voting rights, have the right to make a proposal on the agenda or addressing inquiries on the shareholders' general meeting;

(i) to have other rights conferred in accordance with the law, administrative regulations and our Articles.

QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

When the Bank is to convene a general meeting, the conveners shall issue a written notice, forty-five 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 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 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 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 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 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 half of the total number of shares with voting rights in that class. If this requirement is not met, the Bank shall, within five 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 listing rules in the place where the Bank's shares were listed, when exercising their rights as a Shareholder, controlling shareholders of the Bank 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;

(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 our Articles.

The "controlling shareholder(s)" shall refer to the person(s) satisfying any of the following conditions:

(a) the person may elect more than half of the Directors when acting alone or in concert with others;

(b) the person may exercise or control the exercise of above thirty percent (inclusive) of the total voting shares of the Bank when acting alone or in concert with others;

(c) the person holds above thirty percent (inclusive) of issued and outstanding shares of the Bank when acting alone or in concert with others; or

(d) the person may de facto control the Bank in any other manner when acting alone or in concert with others.

The aforementioned "acting in concert" means two or over two shareholders who, by way of agreement (whether verbal or written), cooperation or related party relationships or other lawful means, enlarge the proportion of the shares in the Bank which are under their control or consolidate their control over the Bank, so as to adopt same expression of opinions (including joint proposal of resolutions, joint nomination of directors, entrustment of the exercise of voting rights which do not state voting intention and other such situations) when exercising the voting rights of the Bank.

PROCEDURES ON LIQUIDATION

The Bank shall be dissolved and liquidated according to laws in any of the following circumstances:

(a) when its business term expires;

(b) if the Shareholders' general meeting resolves to do so;

(c) if a dissolution is necessary as a result of a merger or division of the Bank;

(d) the Bank is declared bankrupt due to its failure to repay debts due;

(e) 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;

(f) 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 ten percent 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, the functions and powers of the Board of the Bank shall be terminated immediately. The Bank shall not conduct any new operation activities. 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, our Articles 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 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.

The Bank may increase its capital in accordance with laws and regulations, subject to the resolution on general meeting and the approval from relevant competent authorities of the State.

The Bank may increase its capital by the following ways:

(a) public offering of shares;

(b) non-public offering of shares;

(c) placing shares to existing Shareholders;

(d) distributing bonus shares to existing Shareholders;

(e) transferring reserve funds to increase share capital;

(f) other methods permitted by laws, regulations and relevant competent authorities of the State.

Shareholder of the Bank shall have the following obligations:

(a) to abide by laws and regulations and the Bank's Articles;

(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 regulations;

(d) to comply with the resolutions of shareholders' general meeting;

(e) to support reasonable capital planning made by the Board of Directors of the Bank, and when the capital adequacy ratio of the Bank fails to meet legal requirements, shall support the measures proposed by the Board of Directors to raise the capital adequacy ratio, including making a reasonable capital replenishment plan, increasing core capital and etc. As part of the Bank's capital planning, substantial shareholders shall make a long-term commitment to the Bank in writing in respect of capital replenishment; substantial shareholders shall not prevent other shareholders from replenishing the capital of the Bank or the join of any new qualified shareholders;

(f) to perform their duty of good faith to the Bank according to law, ensuring the authenticity, integrity and validity of their shareholder eligibility materials submitted. Principal shareholders shall disclose the information of their related parties to the board of directors in a true, accurate and complete manner, and undertake to report in a timely manner to the board of directors when there are any changes in such relationship;

(g) Shareholders who are also Directors and Supervisors of the Bank, or the pledge of our shares by shareholders who directly or indirectly, or jointly hold or control more than two percent of the shares or voting rights of the Bank, shall make an application to the Board for filing in advance to state basic information such as reason of pledge, number of shares, duration of the pledge and the pledgee. Filing will not be successful if the Board considers that it has material adverse effect on the stability of the Bank's shareholding, corporate governance, risks and control on related (connected) transactions. The Director(s) appointed by the Shareholder proposing to pledge his shares in the Bank shall abstain from voting at the meeting of the Board on which such proposal is considered;

(h) 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;

(i) if the possibility that the Bank will encounter liquidity squeeze arises, all shareholders that have taken out loan from the Bank shall repay the due loans immediately, and undue loans shall be prepaid.

(j) in addition to the obligations required under the laws or administrative regulations, when exercising their voting rights as a Shareholder, they shall not make decisions that are detrimental to the lawful interests of other Shareholders;

(k) not to abuse their rights in harming the interests of the Bank or other Shareholders; 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 his/her rights and causes loss to the Bank or other Shareholders, that Shareholder will be held liable for compensation in accordance with the law. If a Shareholder of the Bank abuses the Company's status as an independent, separate legal entity and the limited liability of Shareholders 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;

(l) the controlling shareholders and de facto controllers of the Bank have a fiduciary duty towards the Bank and its other Shareholders, and shall not exploit their connected relationship to impair the lawful interests of the Bank and its other Shareholders;

(m) the substantial shareholders of the Bank shall not transfer their shares within five years from the date of share delivery, and any transfer of shares upon the expiry of the said period and the shareholder qualifications of the transferee shall be subject to the consent of banking regulatory authorities;

(n) the substantial shareholders of the Bank shall not impose undue pressure on the Bank by setting indicators nor interfere with the Bank's ordinary operations. Substantial shareholders shall exercise their rights as capital contributors strictly in compliance with the laws, regulations and our Articles. They shall not seek inappropriate interest, interfere with the decision-making right and the right of management of the Board and senior management in accordance with our Articles, bypass the Board of Directors and senior management to directly intervene in the operations and management of the Bank, and damage the interests of the Bank and the legitimate rights and interests of other stakeholders;

(o) an application for modifying Shareholders that hold five percent or more of total amount of capital or share capital, shall get the confirmation of the Board of the Bank before reporting it to the banking regulatory authorities for approval. In the event that a Shareholder holds five percent or more of the Bank's total outstanding shares (hereinafter referred to as "excess shares") without prior approval from the banking regulatory authorities, such Shareholder shall be subject to the necessary restrictions when exercising the Shareholder's rights based on the excess shares as specified in our Articles before prior approval from the banking regulatory authorities, including but not limited to:

- the excess shares bear no voting rights at the Shareholders' general meeting (including voting of a certain class of Shareholders);
- the excess shares bear no right to nominate candidates for Directors or Supervisors as specified in the Bank's Articles.

If the excess shares held by a Shareholder are approved by the banking regulatory authorities, such Shareholder shall hold the excess shares following the approval from the banking regulatory authorities; if the excess shares held by a Shareholder are not approved by the banking regulatory authorities, such Shareholder shall transfer the excess shares within a period prescribed by the banking regulatory authorities.

(p) The substantial shareholders of the Bank shall notify equity management department of the Bank and submit it to the Board of Directors for filing within five working days after any of the following events occurs:

- material matters such as transfer of shares of the Bank, change of de facto controller, name, legal representative, business scope, registered capital, domicile or contact information;
- merger, split, or imposition of regulatory measures such as suspension of business for rectification, appointment of trustee, takeover or revocation, or entering into dissolution, bankruptcy or liquidation procedures;
- subject to administrative penalties or criminal liabilities due to material breach of laws and regulations;
- other circumstances that may result in transfer of the shares of the Bank they held, or that may affect the operations of the Bank.

If Shareholders fail to fulfill their obligations to notify such events and lead to consequences, they shall bear liabilities accordingly.

(q) to assume other obligations required by the laws, regulations and the Bank's Articles. 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 DIRECTORS

The Board of Directors shall be accountable to the Shareholders' general meeting and be ultimately responsible for the Bank's operation and management. The Board of Directors shall exercise the following functions and powers:

(a) convening shareholders' general meetings and reporting its performance at the Shareholders' general meetings;

(b) implementing resolutions of the shareholders' general meetings;

(c) formulating the development strategies of the Bank and supervising their implementation, periodically conducting assessment on the implementation of the strategic planning;

(d) determining the Bank's business plans, investment plans and risky capital allocation plans;

(e) formulating annual financial budget plans, final account plans and investment plans of the Bank;

(f) formulating profit distribution plans and plans for recovery of losses of the Bank;

(g) formulating proposals for the Bank's increase in or reduction of registered share capital and repurchase of its shares;

(h) formulating proposals for the issuance of bonds or other securities and the listing;

(i) formulating proposals for the Bank's major acquisition, acquisition of the Bank's shares or the merger, division, dissolving and change in corporate form of the Bank;

(j) deciding on the establishment of the internal management structure and tier-one branches and specialized institutions of the Bank;

(k) appointing or dismissing the President and the secretary to the Board of the Bank; appointing or dismissing senior management personnel of the Bank, including vice presidents and financial officers, based on the nominations of the President, and other personnel that should be appointed or dismissed by the Board, including but not limited to assistants to the President, the chief auditor, the chief accountant, the chief information officer, the chief risk officer, the chief compliance officer, the principal of audit department as stipulated by relevant laws and regulations and our Articles, and determining their emoluments and awards or punishments;

(l) establishing the basic management system of the Bank;

(m) formulating modifications to our Articles and the rules of procedures for Shareholders' general meetings and the rules of procedures for the Board of Directors of the Bank;

(n) reviewing the compliance policies of the Bank and monitoring their implementation, being ultimately responsible for the compliance of the Bank's operation;

(o) establishing risk culture, being ultimately responsible for the integrated risk management, deciding the risk preference, risk tolerance, risk management policies and internal control policies of the Bank's parent company and at the Group level, and supervising their implementation;

(p) reviewing and approving the stress testing policy, reviewing the stress testing reports which were determined to be of material effect by the senior management, understanding key assumptions of stress tests, paying attention to the results and effects of stress tests, reviewing the subsequent improvement measures of great importance, understanding the risk mitigation effect of such improvement measures and taking into account the stress test results while determining the risk preference and risk management goals of the Bank;

(q) reviewing and approving the liquidity risk preference (at least once a year), liquidity risk management strategies, significant policies and procedures; continuously focusing on the situation of liquidity risk and regularly obtaining reports on liquidity risk, timely understanding the liquidity risk level, the managing status and their significant changes; reviewing the disclosure of liquidity risk information and ensuring the authenticity and accuracy of the information disclosed;

(r) being responsible for ensuring the establishment and implementation of an adequate and effective internal control system by the Bank, and the prudent operation of the Bank within legal and policy frameworks; being responsible for setting up an explicit risk level acceptable to the Bank, ensuring necessary risk control measures are taken by the senior management; being responsible for supervising the monitoring and assessment by senior management on the adequacy and effectiveness of the internal control system;

(s) formulating the information disclosure system of the Bank and managing the information disclosures of the Bank, and being ultimately responsible for the authenticity, completeness, accuracy and timeliness of the Bank's accounting and financial reporting system; reviewing and approving the Bank's annual reports;

(t) proposing at a shareholders' general meeting the engagement, dismissal or discontinuance of the engagement of an accounting firm providing audit for the Bank;

(u) reviewing the working reports of senior management personnels and examining his performance, supervising and ensuring the effective performance on management duties of senior management;

(v) reviewing and approving the information technology strategy, assessing the overall effect and efficiency of information technology and its risk management; reviewing reports of the senior management personnels on the performance of the information technology strategy, budget of information technology and the actual expenditure and the overall situation of information technology on regular basis; reviewing the annual report on the management of information technology and report to the banking regulators;

(w) reviewing and approving the strategic development plans, risk management system, the scope of outsourcing and relevant arrangement of the Bank's information technology outsourcing, reviewing the relevant report on the outsourcing activities of information technology and arrange internal audit regularly so as to ensure the audit scope can cover all outsourcing arrangements;

(x) formulating the policies and objectives for the Bank's management on data quality and assessing its effectiveness and enforcement regularly;

(y) assessing and improving the Bank's corporate governance regularly;

(z) formulating capital plans and being ultimately responsible for capital management; reviewing and approving capital management rules and capital adequacy ratio management plans, deliberating on capital adequacy ratio management reports and internal capital adequacy assessment reports, and hearing audit reports on capital adequacy ratio management and implementation of the internal capital adequacy assessment process; examining and approving capital adequacy ratio information disclosure policies, procedures and content, and ensuring the truth, accuracy and integrity of disclosed information;

(aa) formulating ethical behavior and value criteria to be complied with by the Board of Directors itself and the senior management;

(bb) formulating strategies, policies and objectives with respect to the protection of consumer rights relating to the Bank, and urging the senior management to implement, safeguarding the legitimate rights and interests of depositors and other stakeholders; being responsible for supervising and evaluating the comprehensiveness, timeliness and effectiveness of the Bank's protection for consumer rights and relevant performance of duties of the senior management;

(cc) formulating an identification, examination and management mechanism for the conflict of interest between the Bank and its shareholders, especially substantial shareholders;

(dd) establishing a favorable internal control culture to supervise senior management on the formulating of relevant policies, procedures and measures, continuously focusing on the Bank's internal control status to carry on whole process management on risks;

(ee) establishing a management system for case prevention that is adequate to the Bank's risk management, size of assets and complexity of business, to effectively monitor, pre-warn and handle case risk;

(ff) reviewing and approving strategies, policies and procedures with respect to the Bank's business continuity management; reviewing and approving senior management's responsibilities for business continuity management, and reviewing senior management's reports on business continuity management regularly, supervising and evaluating its performance; reviewing and approving annual audit report on business continuity management;

(gg) reviewing or approving the filing applications for the shareholders' qualification as well as the transfer and pledge of shareholdings;

(hh) evaluating the performance of duties of Directors and the diligence of senior management members;

(ii) setting capital adequacy objectives that are adequate to the Bank's development strategy, reviewing and approving the internal capital adequacy procedures of the Bank to ensure the full coverage of primary risks by its capital; approving and supervising the implementation of capital plans to satisfy the continuity of the Bank's operations and the needs of emergency capital replenishment;

(jj) reviewing the regulatory opinions of senior management on regulators, management advice provided by external auditors, assessment reports of the Board of Directors and the Supervisory Board;

(kk) formulating the Bank's management policy on consolidated financial statements, supervising its implementation in the Bank and each of its subsidiaries; approving and supervising significant matters in relation to the management of consolidated financial statements and supervising their implementation; reviewing the Bank's management status on consolidated financial statements and the corporate governance and operation situation of its major subsidiaries; supervising and ensuring the effective performance of senior management on the management of consolidated financial statements;

(ll) setting the strategic objectives of the Bank's green credit, reviewing and approving the implementation report on green credit by senior management, supervising and evaluating the implementation of the development strategy of the Bank's green credit;

(mm) reviewing and approving significant related (connected) party transactions;

(nn) other functions and powers stipulated by laws and regulations, listing rules of the places where the shares of the Bank are listed and the Bank's Articles and authorized by the Shareholders' general meetings.

The Board of Directors shall hold a regular meeting at least once a quarter, and the board meeting shall be convened by the chairman of the Board. Notices of board meeting shall be sent to all directors and supervisors in writing at least fourteen days before the date of the meeting. The meeting agenda and relevant meeting documents shall be sent to all directors three days before the date of the meeting.

A meeting of the Board of Directors shall only be held if it has a quorum of more than one half of the directors. The board meeting can be convened in two forms, being the form of voting on meeting (including video conferences) and the form of voting through communications. Resolutions of the Board shall be passed on a "one person one vote" basis. Resolutions adopted at the board meeting must be approved by more than one half of the directors, unless otherwise required in the Articles of the Bank.

BOARD OF SUPERVISORS

The Bank shall have a Board of Supervisors which shall be composed of nine Supervisors. The Board of Supervisors of the Bank consists of Employee Representative Supervisors, and external Supervisors and Shareholder Representative Supervisors elected by the shareholders' general meeting. The proportion of Employee Representative Supervisors and external Supervisors shall not be less than one-third of Supervisors.

The Board of Supervisors shall have one chairman, which shall be a professional. 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.

The term of office of the Supervisors shall be three years. Employee Representative Supervisors shall be nominated by the Board of Supervisors and the labor union of the Bank, and shall be elected, removed and replaced by employee representative meeting or other democratic procedures of the Bank.

The same Shareholder and its associates shall not nominate Directors and Supervisors at the same time. If the Supervisors nominated by the same Shareholder and its associates have held the duties of Supervisors, such Shareholder shall not nominate the Supervisors before the expiry of their term of office.

The Board of Supervisors shall be accountable to the general meeting and exercise the following powers:

(a) to review the Bank's periodic report prepared by the Board and give written audit opinions;

(b) to examine the Bank's financial activities, consider the Bank's profit distribution plan and express opinions on its compliance and reasonableness;

(c) to supervise the compliance of appointment, dismissal and re-appointment of external audit institutions, the fairness of the terms and emoluments as well as the independence and effectiveness of external audits;

(d) to perform comprehensive evaluation of Directors, Supervisors and senior management members on their performance of duties, and report the final results of evaluation to banking regulatory and administrative authorities and submit the same to the shareholders' general meeting;

(e) to address inquiries to Directors and senior management members;

(f) to require Directors or senior management members to correct their acts which are detrimental to the Bank's interests, to propose the removal of or to bring actions pursuant to laws against Directors and senior management members who violate the laws and regulations, our Articles or resolutions of the shareholders' general meetings;

(g) to supervise the Board and senior management members in their performance of information disclosure, pay attention to the Company's information disclosure and in the event of any violation of laws and regulations identified, it shall conduct investigations and propose solutions and report the relevant circumstances to banking regulatory and administrative authorities in a timely manner;

(h) to undertake the resign audit of Directors and senior management members as required;

(i) to supervise and require for rectification regarding the Bank's risk management and internal control; to supervise the Board and senior management in material financial decisions and the implementation thereof and in their performance of case prevention; to supervise the Board, senior management and their members in performing the duties of internal control;

(j) to review financial information such as the financial reports, operation reports and profit distribution plans proposed to be submitted by the Board to general meetings; if any queries arise, it may authorize the registered accountants and certified public auditors in the name of the Bank for review;

(k) to investigate any abnormality found in operations of the Bank, and when necessary, to engage such professionals as accountant firms or law firms to assist in the work, for the account of the Bank;

(l) to make proposal to the shareholders' general meeting;

(m) to propose the convening of extraordinary general meeting and to convene and preside over extraordinary general meeting when the Board fails to perform the duty of convening shareholders' general meetings;

(n) to propose an interim board meeting;

(o) to supervise the formulating and implementation of the Bank's development strategies, to supervise the Board in formulating prudent business philosophies and value criterion, formulate development strategies which are consistent with the actual situation of the Bank and appraise the scientificity, rationality and effectiveness of the development strategies regularly and produce an assessment report;

(p) to supervise the establishment and operating effectiveness of the Bank's consolidated management mechanism; to supervise the Board and senior management in their performance of consolidated management related duties and reflect in the comprehensive evaluation of performance; to procure the Board to oversee and require for rectification regarding the corporate governance, operation and management of our Group and each subsidiary;

(q) to oversee the comprehensive risk management by supervising and examining the Board's and senior management members' performance of their respective risk management responsibilities and requiring for rectification thereupon, and including their findings in the work reports of the Board of Supervisors;

(r) to communicate with banking regulatory and administrative authorities regularly regarding relevant circumstances of the Bank;

(s) to guide the Bank's internal audit department to perform its duty of supervising the audits independently, and carry out the business management and performance appraisal for the internal audit department effectively;

(t) to provide regular trainings to Supervisors to enhance their capabilities of duty performance;

(u) to supervise the selection procedures of Directors;

(v) to supervise the scientificity and rationality of the Bank's remuneration management systems and policies and the remuneration proposals for the senior management members, and to urge prompt rectification;

(w) to oversee and evaluate the performance of duties by the Board and senior management in their capital management, and at least once annually to report such performance of duties to the shareholders' general meeting;

(x) to exercise any other authorities as authorized by the laws and regulations or the Bank's Articles and the shareholders' general meetings.

Regular meetings of the Board of Supervisors shall be convened at least once each quarter and be convened by its chairman. Notice of the regular meetings of the Board of Supervisors shall be served on all of the Supervisors in writing ten days before the date of such meeting.

Any resolutions made by the Board of Supervisors shall be approved and passed by more than two thirds of all supervisors.

PRESIDENT

The Bank shall have one president and several vice presidents. The president shall be accountable to the Board, implement the resolutions of the Board, responsible for business operations and administrative management of the Bank, and shall perform the following duties and powers:

(a) to take charge of the operation and management affairs of the Bank, to organize the implementation of the resolutions of the Board;

(b) to submit business plans and investment proposals of the Bank to the Board on behalf of the senior management and to organize the implementation upon approval by the Board;

(c) to authorize other senior management members and persons in charge of internal departments and branches to conduct operation and management activities;

(d) to draft the Bank's basic management system;

(e) to formulate the Bank's specific regulations;

(f) to draft proposals on the establishment of the Bank's internal management entities, tire-one branches and special units;

(g) to propose the Board to appoint or dismiss the vice presidents, financial officer and other senior management members;

(h) to appoint or dismiss persons in charge of the departments and branches of the Bank other than those to be engaged or dismissed by the shareholders' general meetings and the Board; and determine their salaries, benefits and reward or punishment;

(i) to propose the convening of interim Board meeting;

(j) to undertake the implementation responsibility of the comprehensive risk management and implementing the relevant resolutions of the Board of Directors; to establish a management structure based on comprehensive risk management, define risk management responsibilities among the functional departments, business departments and other departments of comprehensive risk management, and develop a coordinated checks-and-balances mechanism among departments;

(k) to formulate systematic systems, procedures and methods based on the acceptable risk level as determined by the Board of Directors and adopt the corresponding risk control measures; establish and improve the internal structure and institutions, ensure the effective implementation of various internal control functions; conduct supervision and assessment of the adequacy and effectiveness of internal control systems;

(l) to formulate clear execution and inquiry mechanisms for the effective communication and implementation of risk management strategies, risk appetites and limits; to formulate risk management policies and procedures and conduct periodic evaluations; to evaluate the profile of comprehensive risk and various important risks management at the same time and report to the Board; to monitor breaches of risk appetite and limits or violations of risk management policies and procedures, and take corresponding measures based on the Board's authorization;

(m) to implement each of consolidated management policies approved by the Board , establish the relevant system of consolidated management of the banking group, establish and improve the organizational structures of consolidated management, comprehensive risk management framework and internal risk isolation system, to ensure the effective implementation of various functions of consolidated management, and monitor and evaluate the comprehensiveness and effectiveness of consolidated management system of the banking group;

(n) to draft the Bank's measures for data quality management and organize the implementation; to establish mechanisms for the Bank's data quality management and information management system, and thoroughly fulfill the duty in each sections, as well as to be responsible for the truth of statistics and information;

(o) has the right to request the Board of Supervisors to raise an objection to any action of the Board of Directors which is in violation of the rules and interferes with the operation and management activities and report to banking regulatory and administrative authorities;

(p) to adopt emergency measures when any material emergency (such as a run on the Bank) arises and promptly report them to the banking regulatory and administrative authorities, the Board and the Board of Supervisors;

(q) to establish an information reporting system to the Board and its special committees, the Board of Supervisors and its special committees, to specify the types, content, time and means of report information, to make sure that Directors, Supervisors can get various accurate information in a timely manner.

(r) to take the liquidity risk responsibilities such as establishing, regularly assessing and monitoring the implementation of strategies, policies and procedures on liquidity risk appetite and liquidity risk management; to determine the management organizational structure on liquidity risk, identify the responsibilities for various departments; fully understand and regularly assess the liquidity risk level and its management status, understand material changes in liquidity risk in time and report regularly to the Board;

(s) to make and organize the implementation of capital management rules and regulations; make and organize the implementation of capital planning and capital adequacy ratio management planning; to make and organize the implementation of internal capital adequacy assessment process, specify the duties of relevant departments, and establish a sound capital management duties such as assessment framework as well as flows and management rules;

(t) to exercise powers and rights resolved to be exercised by the president conferred by the laws and regulations, our Articles, shareholders' general meetings or by the Board.

SECRETARY TO THE BOARD

There shall be a secretary to the Board, and the secretary shall be appointed or dismissed by the Board. The secretary to the Board is a member of the senior management personnel.

The main duties and responsibilities of the secretary to the Board shall include:

(a) assisting the chairman of the Board in dealing with the daily works of the Board;

(b) being responsible for managing and dealing with the information disclosures of the Bank;

(c) coordinating the relationship between the Bank and its investors, receiving investors' visits, responding to investor inquiries, and providing investors with information on the Bank's information disclosures;

(d) preparing shareholders' general meeting and Board meeting, preparing and submitting relevant meeting documents and information in accordance with legal procedures;

(e) attending Board meetings, making minutes of the meetings and signing on the minutes;

(f) ensuring that complete organizational documents and records are available for the Bank;

(g) ensuring that the Bank prepares and submits the reports and documents required by relevant institutions in accordance with relevant laws;

(h) being responsible for the confidentiality related to the Bank's information disclosures, and supervising the establishment of relevant confidential system by the Bank;

(i) ensuring that the register of Shareholders of the Bank is properly established and being responsible for maintaining the register of Shareholders of the Bank, the register of Directors, Supervisors and senior management personnel, ensuring the controlling shareholders and the Directors, Supervisors and senior management personnel holding the information on the shares of the Bank, as well as the documents and minutes of shareholders' general meetings and Board meetings;

(j) ensuring that relevant records and documents of the Bank are duly obtained by persons who are entitled to receive them; assisting the Directors, Supervisors and other senior management personnel in understanding their legal duties under laws and regulations and our Articles relating to information disclosures;

(k) other duties and responsibilities stipulated by relevant laws and regulations, listing rules of the stock exchange in the place where the shares of the Bank are listed and the Bank's Articles.

RESOLUTION OF DISPUTES

The Bank shall abide by the following rules for dispute resolution:

(a) If any disputes or claims in relation to the Bank's business, with respect to any rights or obligations under our Articles, the PRC Company Law or any other relevant laws and administrative regulations, arise between Shareholders of overseas listed foreign shares and the Bank, between Shareholders of overseas listed foreign shares and the Bank's Directors, Supervisors or senior management personnel of the Bank, or between Shareholders of overseas listed foreign shares and Shareholders of domestic shares, 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.

(b) 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.

(c) Unless otherwise provided by laws, administrative regulations, the laws of the PRC shall apply to the settlement of any disputes or claims that are resolved by arbitration described in item (a) above.

(d) The award of the arbitration institution shall be final and binding on all parties.

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 based on current laws and practices is subject to change and does not constitute legal or tax advice. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change and may have retrospective effect.

No issues on PRC or Hong Kong taxation other than income tax, capital gain and profit tax, business tax/appreciation tax, stamp duty and estate duty was referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Individual Investor

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 came into effect on September 1, 2011 and the Implementation Provisions 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 and came into effect on September 1, 2011, dividends distributed by PRC enterprises are subject to individual income 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 individual income tax of 20% unless a reduction is approved by the MOF or exempted by an international convention or agreement to which the PRC government is a party.

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 Guo Shui Fa [1993] No. 45 Document (《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 a rate of 10%. For individual holders of H Shares receiving dividends who are citizens of countries that have entered into tax agreements with the PRC with tax rates lower than 10%, the domestic non-foreign-invested enterprise whose Shares are listed in Hong Kong may apply on behalf of such holders for rights enjoying lower preferential tax treatments, and, upon the approval of tax authorities, the exceeding amount of individual income tax will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into tax agreements with the PRC with tax rates higher than 10% but lower than 20%, the domestic non-foreign-invested enterprise whose Shares are listed in Hong Kong is required to withhold the tax at the agreed rate under the agreement, and the application procedures of which will not be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without entering any taxation agreement with the PRC or are under other situations, the domestic non-foreign-invested enterprise whose Shares are listed in Hong Kong 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"), which was amended and came into effect on February 24, 2017, and the Implementation Provisions of 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》), which came into effect on January 1, 2008, a non-resident enterprise is generally subject to a 20% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable 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 and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non – Resident Enterprise Shareholders of H Shares(《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》 (Guo Shui Han [2008] No.897), 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 the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. 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 (《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》) (Guo Shui Han [2009] No.394), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit 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 entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on 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》), which was 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 the 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 Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家稅務總局關於<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>第四議定書》), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《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》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements 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 agreements 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 individual income tax at a rate of 20%.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《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 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The State Administration of Taxation has not expressly stated whether it will continue to exempt individual income tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law and its implementation provisions.

However, on December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which states that individuals' income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《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》) (Cai Shui [2010] No. 70) jointly issued by the above three departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice.

Enterprise Investors

In accordance with the CIT Law and its implementation provisions, a non-resident enterprise is generally subject to corporate income tax at the rate of a 20% 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 premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable 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. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which came into effect on October 1, 1988 and amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which came into effect on October 1, 1988, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the 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.

Estate Duty

As of the date of this document, no estate duty has been levied in China under the PRC laws.

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 derived from or arose 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 (such as financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains, unless these taxpayers can prove that the security investment 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 arose 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 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 stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a non-Hong Kong resident and does not pay the ad valorem duty due by it, the duty not paid will be assessed pursuant to 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 of the tax payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished the provisions on estate duty of deaths occurring on or after February 11, 2006.

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 the tax rate of 25%.

Business Tax/Appreciation 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 came into effect on January 1, 1994, amended on November 5, 2008 and implemented on January 1, 2009, the Bank is subject to business tax at a business tax rate of 5% for its banking operating activities carried within the PRC.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No.36), which was issued by the MOF and the SAT on March 23, 2016 and came in effect on May 1, 2016, the pilot reform for the transition from business tax to VAT is implemented nationwide, and the financial industry is included in such pilot and is required to pay VAT instead of Business Tax. Pursuant to the Pilot Implementation Measures for the Transition from Business Tax to VAT (營業稅改徵增值稅試點實施辦法) issued and came into effect at the same time with the aforesaid Notice, the tax rate for tax payers for their taxable behaviors is generally 6%, unless otherwise provided in the implementation measures. The Bank has started to calculate and pay VAT instead of business tax since May 1, 2016.

TAXATION OF OUR BANK IN HONG KONG

Our Directors do not consider that any of our Bank's income is derived from or arose in Hong Kong for the purpose of Hong Kong taxation. Our Bank will therefore not be subject to Hong Kong taxation.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") and it came into effect 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 not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations"), which became effective on July 1, 1996. The Settlement Regulations does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of Renminbi Exchange Rate Forming Mechanism (《完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), which was issued by the PBOC and came into effect on July 21, 2005, the PRC has started 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 since July 21, 2005. 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 before the interbank foreign exchange market opens every day 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 August 5, 2008, the State Council promulgated the revised Regulations for Foreign Exchange Control, which have made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the controlled RMB floating exchange rate system based on market supply and demand; third, in the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, 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 opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

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》) (Hui Fa [2014] No.54), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company 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 (《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》) (Hui Fa[2015]No.13). The notice came into effect on June 1, 2015. The notice has cancelled two of the administrative examination and approval items, being 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.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (Hui Fa [2016] No.16) issued by the SAFE and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

1. FURTHER INFORMATION ABOUT OUR BANK

A. Establishment

The Bank was established as a joint stock limited company in the PRC on February 18, 1998 under the PRC Company Law.

The 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 was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 28, 2017. Dr. Ngai Wai Fung has been appointed as the agent for the acceptance of service of process and notices on behalf of the Bank in Hong Kong. The Bank's address for acceptance of service of process in Hong Kong is the same as the address of the principal place of business in Hong Kong.

The Bank conducts banking business in the PRC under the supervision and regulation of the CBIRC and the PBoC. The Bank is not an authorized institution within the meaning of the Banking Ordinance, and is 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 the Bank was established in the PRC, the corporate structure of the Bank and the Articles of Association are subject to the relevant PRC laws and regulations. A summary of the relevant aspects of PRC laws and regulations is set out in Appendix IV. A summary of the relevant provisions of the Articles of Association is set out in Appendix V.

B. Changes in Share Capital

At the time of the establishment, the initial registered capital of the Bank was RMB249,272,300, divided into 249,272,300 Domestic Shares with a nominal value of RMB1.00 each.

There has been no alteration in the registered capital of the Bank within the two years preceding the date of this prospectus.

Immediately after the Global Offering (assuming the Over-allotment Option is not exercised), the registered capital of the Bank will be RMB5,848,776,901 divided into 5,848,776,901 Shares, consisting of 4,678,776,901 Domestic Shares and 1,170,000,000 H Shares, which represent approximately 80% and 20% of the total issued share capital of the Bank, respectively.

C. Restriction on Share Repurchase

For details of the restriction on the share repurchase by the Bank, see "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association".

D. Resolutions of the Shareholders

Resolutions were passed on the Shareholders' general meeting on April 20, 2017, pursuant to which, among other matters:

(a) the Global Offering, the Listing and the Over-allotment Option were approved; and

(b) the Board and the persons authorized by the Board were authorized to handle all matters relating to the Listing.

Resolutions were passed on the Shareholders' general meeting on April 20, 2017 and September 15, 2017 pursuant to which, among other matters, certain amendments to the Articles of Association in compliance with the requirements of the Listing Rules and other applicable laws and regulations were approved. On April 20, 2017, the Board and the authorized persons approved by the Board were authorized to make further amendments to the Articles of Association according to any opinions given by the relevant regulatory authorities of the PRC and the Hong Kong Stock Exchange. The relevant amendments will become effective from the Listing Date.

E. The Bank's Subsidiary and Changes in the Share Capital of the Bank's Subsidiary

Details of the Bank's subsidiary are set forth in Note 24 to the Accountants' Report, the full text of which is set out in Appendix I to this prospectus.

Save as disclosed below, there has been no alteration in the share capital of the Bank's subsidiary within the two years preceding the date of this prospectus.

On March 22, 2018, the registered capital of Jiangxi Financial Leasing was increased from RMB1.0 billion to RMB2.02 billion.

2. FURTHER INFORMATION ABOUT THE GROUP'S BUSINESS

A. Summary of the Group's Material Contracts

The Group entered into the following contract (not being contract entered into in its ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material:

(1) a cornerstone investment agreement dated June 9, 2018 entered into by, among others, the Bank and Yango Investment Limited ("**Yango Investment**"), pursuant to which Yango Investment agreed to subscribe for our H Shares in the amount of HK$1,400 million;

(2) a cornerstone investment agreement dated June 8, 2018 entered into by, among others, the Bank and Road Shine Developments Limited ("**Road Shine**"), pursuant to which Road Shine agreed to subscribe for our H Shares in the amount of US$115 million;

(3) a cornerstone investment agreement dated June 8, 2018 entered into by, among others, the Bank and Sinolending Fintech Company Limited ("**Sinolending Fintech**"), pursuant to which Sinolending Fintech agreed to subscribe for our H Shares in the amount of US$100 million;

(4) a cornerstone investment agreement dated June 8, 2018 entered into by, among others, the Bank and ZhongHua Financial Holdings Limited (中華金融控股有限公司) ("**ZhongHua Financial**"), pursuant to which ZhongHua Financial agreed to subscribe for our H Shares in the amount of US$50 million;

(5) a cornerstone investment agreement dated June 8, 2018 entered into by, among others, the Bank and FTLife Insurance Company Limited (富通保險有限公司) ("**FTLife Insurance**"), pursuant to which FTLife Insurance agreed to subscribe for our H Shares in the amount of US$48 million; and

(6) the Hong Kong Underwriting Agreement.

B. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, the Bank had registered the following trademarks, which are or may be material to the Group's business.

No.	Trademark	Place of Registration	Class[1]	Registration No.	Valid Period
1		PRC	36	14394562	From June 14, 2016 to June 13, 2026
2	O,la!	PRC	36	18369069	From February 21, 2017 to February 20, 2027
3	O , ! la	PRC	36	16624932	From June 14, 2016 to June 13, 2026
4	循环贷	PRC	36	13129405	From April 7, 2015 to April 6, 2025
5	金e行	PRC	36	13129277	From August 28, 2015 to August 27, 2025
6	金动力	PRC	36	13129251	From July 7, 2015 to July 6, 2025
7		PRC	36	13128962	From February 28, 2016 to February 27, 2026
8		PRC	36	21572158	From November 28, 2017 to November 27, 2027
9		Hong Kong	9, 14, 16, 35, 36, 41	304298103	From October 11, 2017 to October 10, 2027
10	江西银行 JIANGXI BANK 江西银行 JIANGXI BANK 江西银行 JIANGXI BANK 江西银行 JIANGXI BANK	Hong Kong	9, 14, 16, 35, 36, 41	304298112	From October 11, 2017 to October 10, 2027

As of the Latest Practicable Date, the Bank had applied for the registration of the following trademarks, which are or may be material to the Group's business:

No.	Trademark	Place of Registration	Class[(1)]	Application No.	Application Date
1	金e融	PRC	35	17551852	July 30, 2015
2		PRC	36	21572248	October 14, 2016
3		PRC	36	19804587	April 28, 2016
4		PRC	36	19804561	April 28, 2016
5	江西銀行 JIANGXI BANK	PRC	36	30210488	April 12, 2018
6	江西银行股份有限公司 JIANGXI BANK CO.,LTD	PRC	36	30198722	April 12, 2018
7	江西银行 JIANGXI BANK	PRC	36	30210919	April 12, 2018

Note:

1. For details of the classification of goods for trademarks, see the paragraph headed "-2. Further Information about the Group's Business – B. Intellectual Property Rights – (b) Classification of Goods for Trademarks".

(b) Classification of Goods for Trademarks

The table below sets out the classification of goods for trademarks (the detailed classification in relation to the relevant trademarks depends on the details set out in the relevant trademark certificates and may differ from the list below):

Class Number	Goods
9	Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.
14	Precious metals and their alloys; jewelry, goods in precious metals or coated therewith, not in other classes, precious and semi-precious stones; horological and chronometric instruments.
16	Paper and cardboard, goods in paper and cardboard, not in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' and drawing materials; paintbrushes; typewriters and office requisites, except furniture; instructional or teaching materials, except apparatus; plastic sheets, films and bags for wrapping and packaging, not in other classes; printers' type; printing blocks.
35	Advertising; business management; business administration; office functions.
36	Insurance; financial affairs; monetary affairs; real estate affairs.
41	Education; providing of training; entertainment; sporting and cultural activities.

(c) Domain Names

As of the Latest Practicable Date, the Bank had registered the following Internet domain names, which are or may be material to the Group's business:

No.	Domain Name	Place of Registration	Owner	Application Date	Expiration Date
1	jx-bank.com	PRC	Bank	April 21, 2015	April 21, 2023
2	nccbank.com.cn	PRC	Bank	June 13, 2005	July 13, 2023

(d) Patent

As of the Latest Practicable Date, the Bank had applied for the following patent, which is or may be material to our business:

No.	Title	Applicant	Place of Application	Application Date	Application No.
1.	A cloud authentication method, device and system based on NFC-HCE *(一種基於NFC-HCE的雲端鑑權方法、裝置及系統)*	The Bank	PRC	May 18, 2016	2016103304883.3

Save as disclosed herein, there are no other trademarks, patents or other intellectual or industrial property rights which are or may be material to the Group's business.

C. The Bank's Depositors and Borrowers

The Bank's five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and gross loans and advances to customers as of the Latest Practicable Date.

3. FURTHER INFORMATION ABOUT THE SUBSTANTIAL SHAREHOLDERS, DIRECTORS, MANAGEMENT AND STAFF

A. Disclosure of the Substantial Shareholders' interests

So far as the Directors are aware, immediately following the completion of the Global Offering, the following persons (other than the Directors, Supervisors and chief executive of the Bank) will have or be deemed or taken to have interests and/or short positions in the Bank's Shares or underlying Shares which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 the general meetings of any other member of our Group.

Name of Shareholder	Nature of interest	Class of 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)		
			Number of Shares directly or indirectly held	Approximate% of interest in our Bank	Approximate% of the relevant class of Shares	Number of Shares directly or indirectly held	Approximate% of interest in our Bank	Approximate% of the relevant class of Shares
Jiangxi Expressway Investment [1]	Beneficial owner	Domestic Shares	937,651,339	16.03	20.04	937,651,339	15.56	20.04
Jiangxi Financial Holding[2]	Beneficial owner	Domestic Shares	347,546,956	5.94	7.43	347,546,956	5.77	7.43
Asset Management Center[2]	Interest in controlled corporation	Domestic Shares	347,546,956	5.94	7.43	347,546,956	5.77	7.43

Notes:

(1) Jiangxi Expressway Investment is the largest Shareholder and one of the state-owned Shareholders. It is wholly-owned by Jiangxi Provincial Department of Communications (江西省交通運輸廳).

(2) Jiangxi Financial Holding is the second largest Shareholder and one of the state-owned Shareholders. It is wholly-owned by Asset Management Center, which is wholly owned by Jiangxi Provincial Department of Finance (江西省財政廳). By virtue of the SFO, Asset Management Center is deemed to be interested in the Domestic Shares held by Jiangxi Financial Holding.

Interests of substantial shareholders in members of the Group (excluding the Bank)

The Bank's subsidiary	Registered capital	Parties with 10% or above shareholdings	Percentage of interest
Jiangxi Financial Leasing	RMB2,020,000,000	Loong Flying Group Co., Ltd. (龍躍實業集團有限公司)	10.4%

B. Disclosure of the Directors' and Supervisors' interests

Save as disclosed below, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of the 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 the Bank 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 the Bank and the Hong Kong Stock Exchange upon the Listing, 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 the Supervisors.

Supervisors

Name of Supervisor	Capacity	Class of Shares	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate% of the relevant class of Shares
Chen Xinxiang	Beneficial interest	Domestic Shares	46,901	0.00008%	0.0010
Chen Chuxin	Beneficial interest	Domestic Shares	2,000	0.000034%	0.000042
Liu Fulin[1]	Interest of spouse	Domestic Shares	2,000	0.000034%	0.000042

Note:

(1) Mr. Liu Fulin is deemed to be interested in 2,000 Domestic Shares held by his spouse, Ms. Nie Lei (聶磊), by virtue of the SFO.

C. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, the Bank has entered into a service contract with each of the 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, the Bank has not entered, and do not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors or 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 amounts of remuneration to the Directors, Supervisors and members of the senior management team (excluding those who are also Directors) in 2015, 2016 and 2017 were approximately RMB18.7 million, RMB19.6 million, and RMB23.1 million, respectively.

It is estimated that remuneration equivalent to approximately RMB11.2 million in aggregate will be paid to the Directors and Supervisors by our Bank for the year ending December 31, 2018 based on the arrangements in force as of the date of this prospectus.

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 the Bank.

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 "– 4. Other Information – E. Qualification of Experts" had received any commissions, discounts, agency fees, brokerages or other special terms from Bank in connection with the issuance or sale of any of the Bank's capital 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 the parties listed in "– 4. Other Information – E. Qualification of Experts" is:

  (i) interested in the Bank's 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 our Bank, 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 of the date of this prospectus which is significant to the Group business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "– 4. Other Information – E. Qualification of Experts":

  (i) is interested legally or beneficially in any of the Shares or the securities of the Bank; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the Shares or any of the securities of the Bank;

(c) none of our Directors or Supervisors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of our Bank that has to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the Listing; and

(d) so far as is known to any Director or chief executive of the Bank, no person has an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Bank, once the H Shares are listed on the Hong Kong Stock Exchange.

4. OTHER INFORMATION

A. Estate Duty

The Directors have been advised that currently there is no material liability for estate duty that is likely to be imposed on the Bank under the relevant PRC laws and regulations.

B. Litigation

Save as disclosed in "Business – Legal and Administrative Proceedings", our Group is not involved in any litigation, arbitration or administrative proceedings of material importance as of the Latest Practicable Date, and so far as the Group is aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against the Group as of the Latest Practicable Date.

C. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Bank to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

The Bank has entered into engagement agreements with the Joint Sponsors, respectively, pursuant to which the Bank agreed to pay a total amount of RMB3,000,000 to the Joint Sponsors to act as the sponsors to our Bank in the Global Offering.

D. Preliminary Expenses

The Bank has not incurred material preliminary expense.

E. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance) who have given opinions or advice in this prospectus are as follows.

Name	Qualification
CCB International Capital Limited	Licenses of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance)
CLSA Capital Markets Limited	Licenses of type 4 (advising on securities) and type 6 (advising on corporate finance)
KPMG	Certified public accountants
Zhong Lun Law Firm	Legal advisors as to PRC laws

F. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the Group's financial or trading position or prospect since December 31, 2017 (being the date on which the Group's latest audited consolidated financial statements were made up) up to the date of this prospectus.

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, (i) the Group has 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, (ii) no commission, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Bank or any of its subsidiaries; and (iii) no commission had been paid or payable (but not including commission to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Bank or any of its subsidiaries;

(b) no share or loan capital is under option or is agreed conditionally or unconditionally to be put under option;

(c) the Group has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) none of the Group's 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 any plant to or by the Group for a period of over one year which are substantial in relation to the Group's business;

(h) there have been no interruptions in the Group's business which may have or have had a significant effect on the Group's 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 overseas;

(j) the Group has no outstanding convertible debt securities; and

(k) the Bank currently does 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

Each of CCB International Capital Limited, CLSA Capital Markets Limited, KPMG and Zhong Lun Law Firm has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its report, letter and/or opinion (as the case may be) and the references to its name included herein in the form and context in which it respectively appears.

J. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Promoters

The promoters of the Bank comprised former shareholders of the 40 urban credit cooperatives and 12 new investors. Please see "History and Development".

Save as 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.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and 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 "4. Other Information – I. Consents" in Appendix VII to this prospectus; and

(c) copies of the material contracts referred to in the paragraph entitled "2. Further Information about the Group's Business – A. Summary of the Group's Material Contracts" in Appendix VII to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Paul Hastings at 21-22/F, Bank of China Tower, 1 Garden Road, Hong Kong, during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report from KPMG in respect of the consolidated financial information of the Group for each of the three years ended December 31, 2015, 2016 and 2017, the text of which is set forth in Appendix I to this prospectus;

(c) the unaudited supplementary financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(d) the report from KPMG in respect of the unaudited pro forma financial information of the Group, the text of which is set forth in Appendix III to this prospectus;

(e) the audited consolidated financial statements of the Group for each of the three years ended December 31, 2015, 2016 and 2017;

(f) the material contracts referred to in the paragraph entitled "2. Further Information about the Group's Business – A. Summary of the Group's Material Contracts" in Appendix VII to this prospectus;

(g) the written consents referred to in the paragraph entitled "4. Other Information – I. Consents" in Appendix VII to this prospectus;

(h) the service contracts referred to in the paragraph entitled "3. Further Information about the Substantial Shareholders, Directors, Management and Staff – C. Particulars of Service Contracts" in Appendix VII to this prospectus;

(i) the legal opinions issued by Zhong Lun Law Firm, the legal advisors of our Bank as to the PRC laws, in respect of, among other things, the general matters and property interests of our Group; and

(j) the following PRC laws and regulations, together with unofficial English translations thereof:

(i) the PRC Company Law;

(ii) the PRC Securities Law;

(iii) the Special Regulations;

(iv) the Mandatory Provisions;

(v) the Provisional Regulations Concerning the Issue and Trading of Shares;

(vi) the PRC Arbitration Law;

(vii) the PRC Civil Procedure Law; and

(viii) the PRC Commercial Banking Law.

江西銀行
JIANGXI BANK