An investment in our [**REDACTED**] *involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an investment in our* [**REDACTED**]. *The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our* [**REDACTED**] *could decline, and you may lose all or part of your investment.*

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this Document.

RISKS RELATING TO OUR BUSINESS

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

Our financial condition and results of operations are affected by our ability to maintain or improve the quality and growth of our loan portfolio. We provide both corporate loans to enterprises and institutions, as well as personal loans to individual customers to meet their diverse financing needs for personal and business purposes. As of December 31, 2020, 2021 and 2022, our total corporate loans amounted to RMB20,288.2 million, RMB28,037.8 million and RMB34,485.5 million, respectively, while our total personal loans amounted to RMB5,610.4 million, RMB5,712.7 million and RMB5,012.6 million, respectively. See "Business – Our Principal Business Lines."

We have adopted measures to control the risk exposure associated with our loan portfolio, including pre-loan investigations, pre-loan review, credit approval, loan issuance management, post-disbursement management and non-performing asset management. See "Risk Management – Credit Risk Management." However, deterioration in the overall quality and slowdown in the growth of our loan portfolio may occur due to a variety of reasons beyond our control, including a slowdown of China's or Sichuan province's economy, changes in supportive governmental policies and regulations favoring certain regions and industries, or unforeseen events such as catastrophes that interrupt normal business operations. Such circumstances may adversely affect our customers' businesses, results of operations and repayment capabilities. As a result, we may encounter difficulties recovering the loans or realizing the value of our collateral or guarantees securing the loans, leading to potential increase in our non-performing loans, ECL allowance, and/or loans written off due to impairment. As of December 31, 2020, 2021 and 2022, our non-performing loans were RMB725.2 million, RMB804.2 million and RMB772.6 million, respectively, representing a non-performing loan ratio of 2.65%, 2.27% and 1.77% as of the same dates, respectively. See "Assets and Liabilities – Assets – Asset Quality of Our Loan Portfolio" for details on asset quality of our loan portfolio.

Further, we have disposed of certain non-performing assets by way of sale, auction and transfer in accordance with our liquidity management and risk management policies. See "Assets and Liabilities – Assets – Asset Quality of Our Loan Portfolio – Changes in Asset Quality of Our Loans and Advances to Customers." However, there is no guarantee that we will be able to consistently dispose of, or transfer, our non-performing assets. Any deterioration in our asset quality or slowdown in the growth of our loan portfolio may materially and adversely affect our business, financial condition and results of operations.

We generated a substantial portion of our operating income from Yibin. As such, we face uncertainties associated with local economic growth and changes in local government policies and measures.

Our business and operations are primarily concentrated in Yibin. We are headquartered in Yibin and operated 33 sub-branches in Yibin as of December 31, 2022. We have additionally established one rural bank, namely the Yibin Xingyi Rural Bank, in Yibin as of the same date. As of December 31, 2020, 2021 and 2022, 48.4%, 52.8% and 58.7% of our corporate and personal loans was originated in Yibin, respectively. See "Business – Our Principal Business Lines" and "Business – Service Network – Branch Network and Self-service Banking Facilities." Accordingly, our continued growth depends largely on the sustained economic growth of Sichuan, particularly Yibin. Any adverse change in the local economic development, any significant natural disaster or catastrophic event occurring in Sichuan or Yibin, or any material adverse change in financial condition of our customers in this region or any party to whom they provide guarantees may materially and adversely affect our business, financial condition and results of operations.

In addition, we are exposed to risks associated with local governmental policies and measures. Any changes in local regulations and policies would entail adjustments in our operations and risk management practices and lead to additional compliance costs. Any shift in the focus of local government to certain industries or sectors may affect the demand for financial services in those areas, necessitating reevaluation of our loan portfolios and investment strategies to align with these changing priorities, which could require us to reassess risk exposures or reallocate resources. In addition, any changes in local fiscal policy, such as tax incentives or subsidies, can influence the financial performance of businesses within the region, which could in turn affect our credit risks assessment practices. Accordingly, if we fail to closely monitor policy developments, maintain a diversified loan portfolio, or make timely adjustments to our risk management system or business strategies, our business, financial condition and results of operations may be materially and adversely affected.

We face increasingly intensive competition in China's banking industry.

Driven by general economic growth, evolving regulation and supervision environment, ongoing interest rate liberalization reform and opportunities arising from financial technology, the banking industry in China is becoming increasingly competitive. We face competition in all of our principal lines of business from commercial banks with operations in Sichuan, including local outlets of large commercial banks and joint-stock commercial banks and other banks. See "Industry Overview – Banking Industry." In particular, we may face intensified competition with other financial institutions in providing products and services to small and micro enterprises, in light of a discernible shift in focus of large commercial banks and joint-stock commercial banks towards catering to small and micro enterprises. See "Industry Overview – Industry Trends and Business Drivers." Some commercial banks with a larger operational scale may have better resources in terms of capital bases, branch networks, customer bases, technology and access to funding, which confer them with enhanced competitive advantages in comparison with city commercial banks like us. If we fail to compete effectively, our market share could decline and our business, financial condition and results of operations could be adversely affected.

Our historical results of operations may not be indicative of our future performance.

We experienced rapid growth during the Track Record Period. Our operating income increased by 18.0% from RMB1,373.7 million in 2020 to RMB1,620.8 million in 2021, and further increased by 15.2% to RMB1,867.0 million in 2022. In addition, our total assets increased by 20.4% from RMB56,887.8 million as of December 31, 2020 to RMB68,490.4 million as of December 31, 2021, and further increased by 17.4% to RMB80,413.3 million as of December 31, 2022. See "Financial Information – Selected Financial Data." However, our historical results may not be indicative of our future performance. Our future results of operations may change materially for various reasons beyond our control, such as changes in economic environment, PRC rules and regulations and the competitive landscape of the banking industry. In addition, while we seek to continue broaden our customer outreach, invest in financial technology and promote business transformation, our growth strategies may not succeed in light of the evolving regulatory environment, shifting customer preference and the competitive environment within the banking industry in China. See "Business – Our Development Strategies" for our specific growth strategies. Investors should therefore be cautioned not to put undue reliance on our historical results of operations as indicators of our future performance.

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

We provide loans secured by both traditional forms of pledges, collaterals and guarantees such as real estate, machinery and equipment, land use rights and equity and debt securities, as well as innovative forms such as company products or intangible assets. For example, our featured loan products such as Cellar Loans support accessible and affordable guarantee methods, enabling Baijiu enterprises obtain financing with cellar or base liquor as the collateral. Our tailored loan products for technology enterprises can be secured by intellectual property collateral, equity pledge and pledge of accounts receivable, enabling technology-oriented enterprises to leverage their intangible assets for financing. As of December 31, 2020, 2021 and 2022, approximately 92.9%, 94.4% and 97.0% of our corporate and personal loans were secured by collateral and pledge, respectively.

The value of the collateral and pledges securing our loans may fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the economic or industry development, as well as the commercialization abilities of companies that use their uncommercialized products or intangible assets to secure loans. In addition, we cannot assure you that our evaluation of the value of collateral or pledges will always be accurate. If the value of collateral or pledges become insufficient to cover the principal of and interest on the loans, we may not be able to recover the full amount of our loans if the borrower defaults.

In addition, the procedures for liquidating or otherwise realizing the value of collateral or pledges may be time-consuming, the value of collateral or pledges may not be fully realized, and it may be difficult to enforce claims in respect of such collateral or pledges. Under certain circumstances, other claims may be senior or prior to our claims on the collateral or pledges securing our loans. All of the foregoing events could adversely affect our ability to realize the value of collateral or pledges securing our loans. Furthermore, we are subject to the risk that a court or any other judicial or government authority may be unable to enforce such guarantee due to lack of enforceable assets. The factors resulting in the inability of such borrowers to fulfill their payment obligations could also lead to the deterioration in the financial condition of the guarantors and, therefore, could expose us to risks of default on the guarantee obligations.

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

As a city commercial bank in Sichuan, we provide tailored financial services to small and micro enterprises and individual business owners, which we believe is an important component of our lending business. See "Business – Our Principal Business Lines." As of December 31, 2020, 2021 and 2022, our loans to small and micro enterprises were RMB13,371.9 million, RMB18,656.4 million and RMB24,639.0 million, respectively, and our personal business loans were RMB2,859.0 million, RMB2,892.2 million and RMB2,143.6 million, respectively. However, small and micro enterprises and individual business owners may be more susceptible to macroeconomic changes in comparison to larger enterprises due to a potential lack of financial, management or other resources to withstand the negative effects brought by a slowdown in economic growth or regulatory changes. Moreover, due to their relatively limited operating history in general, it may be difficult to collect all the necessary information required to assess their credit risks, especially information regarding their historical defaults on loans. Accordingly, any adverse changes in the economic, occurrence and/or development of natural disaster or epidemics or pandemic may affect the repayment capability of small and micro enterprises, which in turn may adversely affect our business, financial condition and results of operations.

If we fail to fully comply with various regulatory requirements applicable to us, our reputation could be harmed and our business, financial condition and results of operation could be adversely affected.

The banking industry in the PRC is highly regulated. We are subject to a wide spectrum of regulatory requirements and guidelines set forth by various PRC regulatory authorities, including PRC Commercial Banking Law, PRC PBoC Law and PRC Banking Supervision and Regulatory Law, and relevant regulations, rules and normative documents established thereunder. In particular, we are required to comply with a number of regulatory indicators. See "Regulatory Overview." Although we have implemented prudent risk management and compliance enforcement measures to ensure compliance with relevant regulatory requirements, we cannot assure you that we will always be able to satisfy relevant regulatory requirements. In addition, as these laws and regulations continue to evolve, we may be subject to more stringent compliance requirements and may incur additional costs in the future if there is any change to the existing laws or regulations or interpretations thereof. Failure to comply with any applicable legal requirements may subject us to inspections, fines and penalties imposed by competent authorities, as well as reputation damages. Accordingly, any failure to continuously monitor relevant regulatory changes and timely update our internal policies to comply with evolving laws and regulations may adversely affect our business, financial condition and results of operations.

In addition, we are required to make contributions to social insurance and housing provident funds for our employees under applicable PRC laws and regulations. As the laws and policies related to social insurance and housing provident fund may continue to evolve, we cannot assure you that our employment policies and practices will always be regarded as fully complying with the relevant laws and regulations in China, and we may face labor disputes or investigations by competent authorities. We cannot guarantee that the amount of social insurance and housing provident contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfall or be subject to any penalties or fines, any of which may have an adverse effect on our business and results of operations.

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

We may be involved in legal and other disputes from time to time for a variety of reasons, which are generally for loan collection purposes or other claims arising out of our ordinary daily operations. See "Business – Legal and Regulatory Matters – Legal Proceedings." We cannot guarantee that the outcome in any of the legal proceedings in which we are involved in the future would be favorable to us. The involvement in any major legal disputes would result in damage to our reputation, additional operational costs and a diversion of resources and management's attention.

Issues related to land use rights and building ownership may adversely affect our right to occupy and use certain properties.

As of the Latest Practicable Date, we owned 419 properties with an aggregate GFA of approximately 111,001 square meters. Among these properties, we had not obtained relevant title certificates for 237 properties with an aggregate GFA of approximately 66,537 square meters (accounting for approximately 59.9% of the aggregate GFA of our owned properties). We are subject to certain risks relating to such properties. See "Business – Properties – Owned Properties." While we strive to obtain relevant title certificates for these properties and had obtained certain written confirmations from competent authorities confirming our ownership and/or right to use certain of such properties, we may not be able to ultimately obtain these title certificates or land use right certificates, and our ownership and use of such properties may be affected.

In addition, as of the Latest Practicable Date, we leased 83 properties with an aggregate leased area of approximately 19,525 square meters, among which the lessors for 78 properties had not provided the valid title certificates or the authorization documents which entitle the lessor to lease out the relevant properties. We also face risks of fines with respect to 83 unregistered leased agreements for 83 leased properties. See "Business – Properties – Leased Properties." As such, we face uncertainties of our leases in such cases, and may incur additional relocation costs if our leases are challenged.

We are subject to stringent privacy laws, information security policies and contractual obligations related to data privacy and security, and may be exposed to risks relating to our management of the financial data of customers enrolled in our business and other personal or sensitive information.

We routinely receive, collect, generate, store, process, transmit and maintain financial data treatment records and other personal details of customers enrolled in our business, along with other personal or sensitive information. See "Business – Personal Data and Privacy Protection." As such, we are subject to the relevant data protection and privacy laws, directives regulations and standards that regulate the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the PRC and conduct our business, as well as contractual obligations. See "Regulatory Overview – Regulations on Internet Information Security and Privacy Protection." We have established a strict customer personal data protection policy and have implemented a series of internal control measures to preserve individual personal information and protect customer privacy. However, as the data protection and privacy law regimes continue to evolve, we may be subject to more stringent compliance requirements and may incur additional costs in the future if there is any change to the existing laws or regulations or interpretations thereof. Failure to comply with any applicable cybersecurity and data privacy requirements may subject us to government enforcement actions and investigations, fines and penalties, as well as reputation damages. Accordingly, any failure to continuously monitor relevant regulatory changes and timely update our data protection and retention policies to comply with evolving laws and regulations may adversely affect our business, financial condition and results of operations.

We are exposed to the risks associated with our rural banks.

We have established two rural banks, namely, the Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank, in Neijiang and Yibin, respectively, as of December 31, 2022. See "Business – Service Network – Rural Banks." Our rural banks primarily provide loans, deposit products and settlement services for corporate and retail banking customers, dedicated to promoting inclusive finance and providing specialized support for agriculture, rural areas and rural residents. Accordingly, we face risks associated with rural banks, including inherent risks in loans for agriculture, rural areas and rural residents, risks from fluctuations in rural economic conditions, and risks relating to the changing landscape of local regulations and policies. We may also be affected by the negative publicity on other unrelated rural banks with operating issues, which may adversely affect the public confidence and perception of rural banks in general, thereby impacting the results of operations of our rural banks.

In addition, our rural banks are independent legal entities regulated by the NAFR. See "Business – Service Network – Rural Banks." Although we have implemented rigorous risk management and internal control policies for rural banks, we cannot fully assure you that these measures would be sufficient to identify and address all potential risks in a timely manner, which would further adversely affect our business, financial condition and results of operations.

We rely on our customer deposits to fund our business and manage our liquidity, if we fail to maintain the growth rate of such deposits or such deposits decrease substantially, our liquidity, financial conditions and operating results could be materially and adversely affected.

Customer deposits remain our primary funding source. We rely on growth in customer deposits to expand our loan business and meet other liquidity needs. A decrease in customer deposits will reduce our funding sources, which, in turn, would affect our ability to extend new loans, while meeting capital and liquidity requirements. During the Track Record Period, our total customer deposit amounted to RMB42,355.3 million, RMB48,342.7 million and RMB59,393.8 million as of December 31, 2020, 2021 and 2022, respectively. However, there are various factors affecting the growth of customer deposits, some of which are beyond our control, such as economic and political conditions, availability of alternative investment choices, changes in government policies and changes in customers' preference for savings. In particular, we may not be able to attract or retain adequate corporate deposits if credit tightens in the future, which may result in increased corporate deposit withdrawals and weakened willingness and ability of corporates to place deposits. We cannot assure you that we will be able to maintain growth in our customer deposits at a pace that is sufficient to support our business.

In addition, the maturity dates of our liabilities did not match those of our assets. As of December 31, 2022, our demand deposits and time deposits due within one year amounted to RMB40,473.6 million in aggregate. As of the same date, our gross loans and advances to customers due within one year amounted to RMB23,245.2 million. Based on our experience, a major portion of our short-term customer deposits are rolled over upon maturity, and these deposits represent a relatively stable source of funding. However, due to the increased availability of wealth management products and other investment products on the PRC financial markets, as well as the financial disintermediation in recent years, certain customers may withdraw their deposits and invest in such alternative products.

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

Our ECL allowance on loans and advances to customers may not be sufficient to cover actual losses on our assets in the future.

As of December 31, 2020, 2021 and 2022, our ECL allowance of loans and advances to customers was RMB1,241.5 million, RMB1,595.1 million and RMB1,648.6 million, respectively, while our allowance coverage ratio was 171.21%, 198.35% and 213.40% as of the same dates, respectively. Our allowance to gross loan ratio for our loans to customers was 4.53%, 4.50% and 3.78%, respectively, as of the same dates. We classify our loans using a five-level loan risk classification system in accordance with the guidelines set forth by the NAFR, and determine a level of allowance for expected credit losses in accordance with the requirements of IFRS 9. See "Assets and Liabilities – Assets – ECL Allowance on Loans and Advances to Customers." Our loan classification and ECL allowance policies may be different in certain respects from those for banks incorporated in certain other countries or regions. As a result, our loan classification and our allowance for expected credit losses, as determined under our loan classification and ECL allowance policies, may differ from those reported in those countries or regions.

We are exposed to risks associated with any significant or protracted downturn in, or change in policies adversely affecting, the real estate market in China.

We are exposed to real estate market related risks, primarily from our residential mortgage loans and other loans secured by real estate, as well as corporate loans to the real estate industry. As of December 31, 2020, 2021 and 2022, our residential mortgage loans represented 37.0%, 39.1% and 41.3% of our total personal loans as of the same dates, respectively. As of December 31, 2020, 2021 and 2022, our corporate loans to the real estate industry represented 3.4%, 3.8% and 4.6% of our total corporate loans as of the same dates, respectively.

Due to our credit exposure related to real estate sector, we are subject to uncertainties and risks associated with any significant or protracted downturn in, or change in policies adversely affecting, the real estate market in China. See "Regulatory Overview – Regulation on Principal Commercial Banking Activities – Loan Business." Any significant or prolonged downturn in the real estate market in China, Sichuan province or Yibin may lead to a reduction in demand for our real-estate-related products, or adversely affect the asset quality of our corporate loans for real estate market. In addition, any heighted scrutiny or changing requirements on banking services provided in relation to the real estate market may entail additional compliance cost and/or adjustment in our risk management procedures and policies, further adversely affecting our financial performance and results of operations.

We may be exposed to risks associated with our fee- and commission-based products and services.

We provide certain fee- and commission-based products and services for both corporate and retail banking customers, including entrusted loans and agency services. See "Business – Our Principal Business Lines." In particular, for certain fee- and commission-based products and services, we are not the principal issuer or borrower of relevant products, but act as the distributor of relevant products, or provide other services such as agency services. These products and services are also subject to inherent risks associated with financial performance or business operations of relevant issuers or owners of underlying assets, which can be affected by many factors beyond our control, including general economic conditions or proper compliance with laws and regulations by relevant third parties. For these products, we are not liable for any investment losses or defaults directly derived from them. However, we may still be subject to client complaints, negative news coverage and possible litigation which could have an adverse effect on our reputation, business, financial condition and results of operations.

We are subject to risks relating to wealth management products.

We issue wealth management products to our corporate and retail banking customers. In 2020, 2021 and 2022, we sold wealth management products of RMB9,710.5 million, RMB9,031.4 million and RMB7,872.3 million, respectively. Repayment of the principal and investment returns under the wealth management products we issued to our customers is based on the performance of the financial investment products we purchased using proceeds raised from such wealth management products.

As all of the wealth management products issued by us during the Track Record Period were non-principal protected, we were not liable for any loss suffered by the investors in these products. See "Business – Our Principal Business Lines – Retail Banking – Other Fee- and Commission-based Retail Banking Products and Services – Wealth Management Services." However, to the extent that the investors suffer losses on these wealth management products, our reputation may be adversely affected, and we may also suffer a loss of business and customer deposits. We may eventually bear relevant responsibilities for non-principal protected products if the investors bring lawsuits against us and the court rules that we are liable for inadequate disclosure.

Our credit exposure to counterparties in the interbank market business could subject us to losses.

We engage in interbank market transactions with licensed financial institutions. See "Business – Our Principal Business Lines – Financial Markets – Interbank Market Business." Our financial assets held under resale agreements, due from other banks and other financial institutions amounted to RMB3,748.1 million, RMB4,118.1 million and RMB6,527.6 million as of December 31, 2020, 2021 and 2022, respectively. We are exposed to credit risks in our interbank business due to potential default by counterparties, which may be attributable to a broad range of factors beyond our control, including the adverse change of general economic or social conditions, liquidity crisis in the interbank market, or an increase in the credit risk, operational failure or bankruptcy of the relevant counterparties.

In addition, the financial soundness of commercial banks may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, negative publicity and public concerns over the liquidity of a commercial bank could adversely affect the banking industry and increase the perceived default risks associated with commercial banks. A rise in actual or perceived default risk in the interbank markets could have an adverse effect on our interbank and overall business. We cannot assure you that other commercial banks with whom we have interbank deposits will not experience credit change or other material credit risk incidents. A substantial liquidity event in the PRC interbank market may adversely affect our business, financial condition and results of operation. Although we continually improve internal control policies and procedures, we cannot assure you that such internal control policies and procedures are effective and sufficient to detect and prevent any incident of default by our counterparties.

We are subject to risks relating to our financial investments, including potential losses or decreased returns that may affect our results of operations.

Our financial investment business primarily consists of debt securities investment and SPV investment. Our debt securities investment mainly comprises investments in debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and enterprises in the PRC. Our SPV investment refers to the investment in financial assets through SPVs such as asset management plans and funds. See "Business – Our Principal Business Lines – Financial Markets – Financial Investment Business." However, returns on our investment in securities and other financial assets and our profitability may be affected by changes in interest rates, foreign exchange rates, credit and liquidity conditions, asset values, regulatory policies and macroeconomic and geopolitical conditions. Any significant deterioration in one or more of these factors could reduce the value of, and the gains generated from, our investment securities and other financial assets in our portfolio and could have a material adverse effect on our business, financial condition and results of operations. Volatility in bond markets in the PRC may also affect our investment assets, especially our investments in debt securities. In particular, interest rates have an inverse relationship to the bond price, and the interest rate hikes in the future may result in decrease in the market value of our debt securities investment.

Changes in the PRC regulatory requirements may also have material effects on our financial investment business. Adverse regulatory developments in relation to any type of our financial investments could cause the value of our investment portfolio to decline and, as a result, may adversely affect our business, financial condition and results of operations.

Changes in the fair value of our financial investments may materially and adversely affect our operating results, financial condition and prospects.

As of December 31, 2020, 2021 and 2022, we had financial investments at fair value through profit or loss of RMB5,409.1 million, RMB4,513.5 million and RMB6,223.7 million, respectively, and financial investments at fair value through other comprehensive income of RMB7,650.1 million, RMB11,759.0 million and RMB10,136.0 million, respectively. See "Assets and liabilities – Assets – Financial Investments." We recognize fair value change arising from re-measurement of investments classified as financial investments at fair value through profit or loss directly in the period. For financial investments at fair value through other comprehensive income, we recognize the change in their fair value under other comprehensive income. In 2020, 2021 and 2022, we recognized net gains arising from financial assets at fair value through other comprehensive income of RMB7.2 million, RMB11.0 million and RMB86.5 million, respectively. See Note 8 of Appendix I to this Document. Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of these financial investments, which will result in a decline in our reported shareholders' equity, book value per share and net profit. In addition, the value ultimately realized by us on disposal of these investments may be lower than their current fair value. Any of these factors could require us to record negative fair value adjustments, which may have a material adverse effect on our operating results, financial condition or prospects. There is no assurance that we can always obtain necessary or reliable data to apply relevant financial valuation models for determination of fair value due to factors beyond our concern, such as loss of data caused by economic development or, for illiquid assets, which has no available market information. In such circumstances, we are required to make assumptions, judgments and estimates in order to establish their fair value. Since reliable assumptions are subjective in nature and inherently uncertain, the actual results may differ from our estimates. Any consequential impairments or write-downs could have a material adverse effect on our operating results, financial condition and prospects.

Our ECL allowance on financial investments may not be sufficient to fully cover the actual losses on such investment we may incur in the future.

We assess ECL allowance on such investment in line with our applicable accounting policies and conduct periodic review and assessment in this respect. As of December 31, 2020, 2021 and 2022, our ECL allowance on financial investments was RMB25.0 million, RMB14.2 million and RMB249.9 million, respectively. See "Assets and Liabilities – Assets – Financial Investments."

Our management determines the amount of the ECL allowance based on applicable accounting policies and on our management's assessments of relevant factors, such as operational and financial conditions of counterparties, the realizable value of collateral, and the ability of the guarantors to fulfill their obligations, as well as the China's economic, legal, and regulatory environment. Under IFRS 9, our management is required to estimate on expected credit losses and the point at which there is a significant increase in credit risk based on available information that our management deems reasonable and applicable, all of which may involve difficult judgment. Many of these factors are beyond our control and our estimation is subjective in nature, and therefore is subject to inherent restrictions. See "Financial Information – Critical Accounting Policies, Judgments and Estimates – Measurement of Expected Credit Loss" for further details. There is no assurance that we can always make accurate assessment and expectation or the actual losses on such assets will not increase in the future compared with our expected credit losses. We also cannot assure you that the ECL allowance will be sufficient to cover all losses we may actually incur in the future. In the case that the losses exceed our expectation, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We determine 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.

We determine 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 if an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In line with our accounting policies, we establish a fair value hierarchy that prioritizes the inputs to valuation techniques being used to measure fair value of our financial instrument. We determine fair value of our 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, 2020, 2021 and 2022, our level 1 and level 2 financial assets in aggregate amounted to RMB14,574.5 million, RMB17,928.7 million and RMB20,012.8 million, respectively, representing approximately 100.0%, 99.9% and 97.5%, respectively, of our 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, 2020, 2021 and 2022, our level 3 financial assets amounted to nil, RMB26.1 million and RMB515.5 million, respectively, representing approximately 0.0%, 0.1% and 2.5%, respectively, of our total financial assets measured at fair value as of the same dates.

Absent evidence to the contrary, instruments classified in level 3 of the fair value hierarchy are initially valued at transaction price. To determine fair value, we rely on judgment from our management taking into account various factors, including the influence of macroeconomic factors, the valuation by external appraiser and loss coverage. Many of these factors are beyond our 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. We cannot assure you that such judgment and estimation are accurate, in which case the fair value of relevant financial instruments may be materially and adversely affected, resulting in material and adverse impact to our financial conditions and results of operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties, and we may be subject to other operational risks.

We are exposed to fraud or other misconduct committed by our employees or third parties, which could subject us to financial losses, third-party claims, regulatory actions or reputational damage. During the Track Record Period, two of our former employees were subject to administrative penalties and/or other legal liabilities due to their own improper behavior. Although we continually improve internal control policies and procedures to enhance employee education and strengthen prevention and monitoring of employee misconduct, we cannot assure you that such internal control policies and procedures can always prevent, or that we can otherwise fully detect or deter, all incidents of fraud and misconduct committed by our employees, such as corruption or misappropriation of funds. In addition, the improper or illegal activities of misconduct of our customers and other third parties with whom we have business relationships may damage our reputation or cause us to incur economic losses. As we have no control over these and other third parties, we cannot assure you that we can always effectively prevent or mitigate the negative impact their misconduct may cause on our reputation, business, financial condition or results of operations.

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

We will continue to expand our offerings of products and services to our customers in the future. Our expansion in our offerings of products and services has exposed, and will continue to expose us to new and potentially increasingly challenging market and operational risks, which may include:

- our experience and expertise in managing new products and services;
- our ability to recruit additional qualified staff;
- our ability to provide satisfactory customer services, such as providing sufficient products and service information and handling customer complaints;
- our ability to guide customers to accept new products;

- our ability to establish an effective management team or to enhance our risk management and information technology systems to support a broader range of products and services;

- our ability to identify and effectively manage all potential risks associated with our products and services; and

- our ability to react to the actions of our competitors and other financial service providers.

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

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

We provide certain off-balance sheet commitments to our customers in the ordinary course of business, primarily consisting of letters of guarantee and bank acceptance. Such arrangements are not reflected on our balance sheet but constitute contingent assets or contingent liabilities. As of December 31, 2022, our off-balance sheet commitments totaled RMB11,491.4 million. See "Financial Information – Off-balance Sheet Commitments." We are subject to credit risks associated with these off-balance sheet commitments, and are required to provide funds when our customers are unable to perform their obligations. If we are unable to recover payment from our customers, our financial condition and results of operations may be materially and adversely affected.

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

Although national credit information databases developed by the PBoC have been put into use, national credit information databases in China may not be 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, we have to rely on other publicly available information and our 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 us to effectively monitor changes to the credit standing of our customers in a timely manner. As a result, our ability to effectively manage our credit risk may be limited, which could materially and adversely affect our business, financial condition and results of operations.

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

Our risk management capabilities are limited by the information, tools or technologies available to us. In recent years, we have undertaken various initiatives to strengthen our risk management capabilities, including improving our internal credit review mechanisms, operational risk management, measurement tools to assess market risk and liquidity risk, legal risk management, and reputational risk management and continually upgrading our information technology system. See "Risk Management." However, our ability to successfully execute such mechanisms and operate such systems and to monitor and analyze their effectiveness is subject to continuous testing and improvement. If we are not able to effectively improve our risk management and internal control policies, procedures and systems, or if we are not able to achieve the intended results of such policies, procedures or systems in a timely manner, our asset quality, business, financial condition or results of operations may be adversely affected.

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

Our business relies on the secure and efficient operation of our information technology systems, which is essential to the sustainable development of our business and our ability to maintain competitiveness. See "Business – Digitalization." However, our information technology systems may encounter events beyond our control, including network breakdowns, software bugs, computer virus attacks, intrusion attacks or catastrophic incidents which could result in a partial or complete failure of our information technology systems and disrupt our business continuity. Although we have configured precautionary measures to prevent the occurrence of such events, we cannot fully eliminate the possibility of being attacked, and our information system is not completely protected from damage. The occurrence of any of the above-mentioned risk events or safety intrusion incidents could interrupt our normal business operations.

In addition, our ability to remain competitive depends partially on our ability to upgrade our information technology systems in a cost-effective manner in order to address increasing market demand for financial products and services and evolving technology challenges. We engage certain third-party technology and service providers to assist in developing and maintaining certain information technology systems. In the event that these service providers fail to provide support service as usual, we may incur additional costs in replacing such providers and our normal business operations may be disrupted.

We may have difficulties in meeting capital adequacy and other regulatory requirements in the future.

We are subject to regulatory requirements with respect to capital adequacy. See "Regulatory Overview – Supervision Over Capital Adequacy." Calculated in accordance with the Capital Administrative Measures (Provisional), as of December 31, 2022, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 12.86%, 12.89% and 14.08%, respectively, all of which satisfied the requirements of the PRC banking regulatory authorities. The competent authority may further increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios, or we may otherwise be subject to new capital adequacy requirements. Such changes may adversely affect our financial condition and results of operations.

Our ability to meet capital adequacy requirement is affected by various factors, including our ability to generate sufficient capital internally, our ability to obtain additional capital, and our ability to dispose of foreclosed assets within the specified time as required by applicable regulatory requirements. If our growth places capital demands on us in excess of what we are able to generate internally or raise in the capital markets, we may need to seek additional capital through alternative means. However, we may not be able to obtain additional capital on commercially acceptable terms in a timely manner or at all. Our ability to obtain additional capital may also be restricted by a number of factors, including our future business, financial condition, quality of assets, results of operations and cash flows prescribed by the PRC law and regulatory approvals, general market conditions for capital-raising activities, as well as economic, political and other conditions. Furthermore, as these capital adequacy requirements place restrictions on the ability of banks to leverage their capital to achieve growth in their loan portfolios, our compliance and capital costs as well as results of operations may be adversely affected, and our capacity to further grow our business may be constrained.

If at any time in the future we fail to meet these capital adequacy requirements, the competent authority may take a series of measures against us, including, for example, imposing restrictions on our lending and investment activities, declining our application to launch new businesses or restricting our ability to declare or pay dividends. Such measures may materially and adversely affect our business, financial condition and results of operations.

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

We are required to comply with the PRC laws and regulations concerning anti-money laundering and anti-terrorism, which require us to strictly enforce applicable policies and incorporate criteria for identifying large and suspicious transactions into our anti-money laundering monitoring and reporting system. We are also required to timely report large and suspicious transactions to the PRC Anti-Money Laundering Monitoring and Analyzing Center. See "Risk Management – Compliance Risk Management." Although we have adopted policies and procedures that are intended to detect and prevent the use of our banking networks for money-laundering activities and by terrorists and terrorist-related organizations and individuals, those policies and procedures may not completely eliminate the risk that third parties may use us to engage in money laundering and other illegal or improper activities due to its complexity. If we fail to fully comply with applicable PRC laws and regulations, or if our customers or any third party uses us for money laundering or other illegal or improper purposes, we may be subject to fines and other penalties.

Our business, financial condition and results of operations may be adversely affected by negative media coverage of us, our senior management or China's banking industry in general, even if such negative publicity is inaccurate, unsubstantiated or immaterial.

Our business reputation is crucial to our 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 non-performing loans, loan quality, capital adequacy, solvency, internal controls, and risk management have been reported by the media. Any negative media coverage about our industry or us, whether accurate or not, may have certain adverse effect on our reputation and will consequently undermine our customers' confidence. As a result, our business, financial condition, results of operations, prospects and the value of your investment may be adversely affected.

Our business depends on the continuing efforts of our key executives and certain other employees performing vital functions, and our business and growth prospects may compromise if we fail to retain or motivate them or recruit the right personnel for such responsibilities.

Our ability to maintain growth and meet our business targets to some extent depends upon the continued services of our senior management and other key personnel, in particular, the senior management's and key personnel's industry experience, business operation experience and sales and marketing skills.

If one or more members of our management are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. Moreover, we may face increasing competition in recruiting and retaining experienced and qualified staff including senior management. We may incur additional expenses to recruit and retain qualified replacements. If we fail to recruit or retain a sufficient number of qualified staff with reasonable costs, our business, financial condition and results of operations may be adversely affected.

Shares held by certain Shareholders were pledged or frozen, which may lead to potential disputes.

As of the Latest Practicable Date, to the best knowledge of us, 241,257,325 Shares (representing approximately 6.19% of the share capital of us) held by four Shareholders were pledged, and 259,702,366 Shares (representing approximately 6.66% of the share capital of us) held by five Shareholders were frozen by several judicial bodies. See "History, Development and Corporate Structure – Our Shareholding and Group Structure." Our PRC Legal Advisors are of the view that the above pledge or freezing of Shares will not result in material change in the shareholding structure of the Bank or cause any substantial impediment to the [**REDACTED**]. However, there can be no assurance that there will not be any disputes regarding equity interests ownership in the future. Any of such disputes or objections may affect the stability of our shareholding structure and may result in negative publicity or reputational damages to us.

We have certain Shareholders that we have been unable to contact and register, which may lead to potential disputes.

As of the Latest Practicable Date, we were unable to verify the identity and shareholding of eight non-individual Shareholder and ten individual Shareholders, which held approximately 3.98% and 0.01% of the share capital of our Bank, respectively. See "History, Development and Corporate Structure – Our Shareholding and Group Structure." There can be no assurance that we will successfully contact and accurately record all holders of our Shares or all persons who are entitled to our Shares. We have entrusted the Shares held by all of our existing Shareholders, including such unidentifiable Shareholders, to Tianfu (Sichuan) United Equity Trading Center Co., Ltd. We believe, and our PRC Legal Advisors are also of the view that, the proportion of unverified Shares is relatively small and does not constitute significant ownership controversy, dispute, or potential dispute over our Shares. However, there can be no assurance that there will not be any disputes regarding equity interests raised by Shareholders in the future. Any of such disputes or objections may result in negative publicity or reputational damages to us.

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

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or 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 may disrupt our business and operations. Severe communicable disease outbreaks, such as the COVID-19 pandemic, could result in a widespread health crisis that could materially and adversely affect the economy and financial markets. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The PRC banking industry is highly regulated and we are susceptible to changes in laws, regulations, regulators and government policies relating to the PRC banking industry.

The PRC banking industry is highly regulated and our business could be directly affected by changes in laws and regulations, regulators and government policies relating to the PRC banking industry, such as those affecting the specific lines of business in which we operate, or the specific businesses for which we can charge fees, as well as changes in other governmental policies. We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include but are not limited to the PBoC, NAFR, MOF, NDRC, SAMR, SAT, CSRC, SAFE and their respective local outlets. Some of such regulatory authorities conduct periodic and ad hoc inspections, examinations and inquiries on our business operations and compliance with the laws, regulations and guidelines, and have the authority to impose sanctions, penalties or remediation actions. These laws, regulations and guidelines impose regulatory requirements on, among other things, banking products and services, market entry, opening of new outlets or institutions, tax and accounting policy and pricing. The NAFR, 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.

Many of the policies, laws and regulations, regulators and government policies governing the banking industry or the interpretation thereof may change in the future, and we may not be able to adapt to such changes on a timely basis or at all. For instance, in August 2015, PBoC eliminated the upper limit on interest rate for RMB-denominated time deposits with terms of over one year. In October 2015, the PBoC lifted the administrative control over deposit rates, allowing market-based pricing through the Market Interest Rate Pricing Self-discipline Mechanism. In addition, since 2017, the former CBIRC, together with its predecessor CBRC, has promulgated a series of rules and regulations to enhance supervision and impose restrictions on various business operations of banks, including the rules and regulations on entrusted loans and cooperation between banks and trust companies. These changes are expected to intensify competition among PRC commercial banks and could materially and adversely affect our results of operations by reducing our net interest income. In addition, in March 2023, the State Council Institutional Reform Proposal was adopted at the First Session of Fourteenth National People's Congress, which decided to establish the NAFR on the basis that the former CBIRC will not be retained. Failure to comply with new policies, laws and regulations may result in fines or restrictions on our business, which could materially and adversely affect our business, financial condition or results of operations.

Traditional banking institutions may face intensified challenges brought by Internet finance.

In recent years, Internet-based financial service companies are developing rapidly in China. At present, the major financial services provided by China's Internet-based financial service companies include online personal loans, third-party online and mobile payment, as well as online and mobile wealth management. China's commercial banks are facing the challenges with respect to products, technologies and customer experience. Personal loan products provided by Internet-based financial service companies may result in decreased demand of retail banking customers for commercial banks' loans. Various funds and Internet wealth management products have developed rapidly, which may result in outflows of a large amount of saving deposits from commercial banks and then the return of these amounts to commercial banks in the form of interbank deposits. As a result, commercial banks may experience significantly increased funding costs and narrowed interest margins, and therefore reduced profitability. With the further development of the Internet, many non-banking financial institutions have started to distribute financial products on Internet platforms, which has affected commercial banks' fee income for agency services. Competition from the Internet-based financial service industry may material and adversely affect our business, financial condition, results of operations and prospects.

Change in the PRC interbank market liquidity, volatility in interest rates could significantly increase our borrowing costs and materially and adversely affect our liquidity and financial condition.

We utilize short-term funding in the interbank market to satisfy some of our liquidity needs. As of December 31, 2022, our deposits from banks and other financial institutions were RMB433.7 million, RMB29.6 million and RMB132.3 million, respectively, and our financial assets sold under repurchase agreements were RMB3,357.4 million, RMB4,261.6 million and RMB1,908.9 million, respectively. According to the Notice on Regulating the Interbank Business of Financial Institutions (關於規範金融機構同業業務的通知) jointly issued by the PBoC, the then CBRC, the CSRC, the then CIRC and the SAFE on April 24, 2014, the net balance of interbank lending of a commercial bank to a single incorporated financial institution, excluding interbank deposits for settlement purposes, after deducting assets with zero risk weight, shall not exceed 50% of its tier-one capital. The balance of interbank borrowing of a commercial bank shall not exceed one-third of its total liabilities. Subject to the aforementioned laws and regulations and other applicable requirements, we may not be able to acquire sufficient short-term funds from the interbank market at all times, and regulatory authorities may further impose restrictions on the interbank business and interbank borrowing, which may materially and adversely affect our liquidity and profitability.

In addition, any significant changes in the liquidity and interest rate in the PRC interbank market could have an impact on our 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, and we cannot assure you that SHIBOR interest rates could return to the normal range in the short term after irregular fluctuations in such rates in the future. Any significant volatility in interest rates on the interbank market may have a material and adverse effect on our cost of borrowing short-term funds and our liquidity. Further, severe volatility in market interest rates may also have a significant impact on the value of our assets. For example, a significant increase in market interest rates may lead to a significant decrease in the fair value of our debt securities, which will have a material and adverse effect on our financial condition and results of operations.

Further development of interest rate liberalization, PBoC's adjustments to the benchmark interest rate, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our business, financial condition and results of operations.

Similar to most PRC commercial banks, our results of operations depend, to a large extent, on our net interest income, which accounted for 87.9%, 85.3% and 93.9% of our operating income in 2020, 2021 and 2022, respectively. Our net interest income is sensitive to adjustments in the benchmark interest rates set by the PBoC. In recent years, the PBoC has adjusted the benchmark interest rates several times, and interest rates in China have been gradually liberalized since 2012. See "Regulatory Overview – Regulation on Principal Commercial Banking Activities." Adjustments by the PBoC to the benchmark interest rates on loans or deposits or changes in market interest rates may affect our financial condition and results of operations in different ways. For example, changes in the PBoC benchmark interest rates could affect the average yield on our interest-earning assets to a different extent than the average cost on our interest-bearing liabilities and, therefore, may narrow our net interest margin. Such a change would lead to a decrease in our net interest income, which, in turn, may materially and adversely affect our results of operations and financial condition. We cannot assure you that we will be able to promptly diversify our business, adjust the mix of our assets and liabilities and change our pricing to effectively respond to further liberalization of interest rates.

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, PBoC abolished the minimum interest rate for loans excluding residential mortgage loans, which was 70% of the benchmark interest rate, and allowed financial institutions to set lending rates based on commercial considerations. Furthermore, on November 22, 2014, PBoC permitted financial institutions to raise the Renminbi deposit interest rate up to 120% of the PBoC benchmark interest rate. The Renminbi deposit interest rate was raised again in March 1, 2015 and May 11, 2015 up to 130% and 150% of the PBoC benchmark interest rate, respectively. On August 26, 2015, the PBoC maintained the interest rate cap of Renminbi demand deposits and time deposits with maturity in less than one year. Then on October 24, 2015, 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. Furthermore, in August 2019, the PBoC announced to reform the mechanism used to establish the loan prime rate ("**LPR**"). The new LPR quotations will be based on rates of open market operations and published on a monthly basis. According to the PBoC, commercial banks must set interest rates on new loans by mainly referring to the LPR and use LPR as the benchmark for setting floating loan interest rates. On the December 28, 2019, PBoC issued another announcement requiring financial institutions from March 1, 2020, to engage in negotiations with existing floating-rate loan clients to change the pricing benchmark, and shift from the original contractually stipulated pricing method to the use of LPR as the pricing benchmark and this transition process should be in principle be completed by August 31, 2020. On March 27, 2023, the PBoC lowered the statutory deposit reserve ratio by 25 basis points for all deposit-taking financial institutions, which lowered banks' funding costs and increased their liquidity. In addition, in terms of LPR regulations, the PBoC also adjusted its key lending benchmarks on June 20, 2023. Specifically, the one-year LPR and the five-year LPR were reduced by 10 basis points to 3.55% and 4.20%, respectively. For more information on the LPR reform, please see "Regulatory Overview – Pricing of Products and Services." Interest rate liberalization may intensify competition in the PRC banking industry, as PRC commercial banks may 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 our results of operations. We cannot assure you that we will be able to promptly diversify our businesses, adjust the mix of our assets and liabilities and change our pricing to effectively respond to further liberalization of interest rates.

As a crucial step for liberalizing interest rates in the PRC, the Deposit Insurance Regulation was published on February 17, 2015 and came into effect on May 1, 2015. The Deposit Insurance Regulation requires that each depositor of a bankrupt bank could be reimbursed an amount up to RMB500,000. Banks are required to pay premiums for the deposit insurance program, which will increase our operating costs and may therefore adversely affect our financial condition and results of operations.

We also conduct trading and investment activities involving certain financial instruments. Our 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 our debt securities portfolio to drop, which may materially and adversely affect our results of operations and financial condition. In addition, the derivatives market in China is still in the early stages of development. As a result, we may not be able to effectively hedge such market risks.

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 required 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 include order to correct as well as confiscation of illegal gains or fines. In addition, under the PRC Corporate Law, we may not extend any loans that use our Shares as collateral. Furthermore, pursuant to the Governance Guidelines for Bancassurance Institutions (《銀行保險機構治理準則》) and our Articles of Association, a Shareholder must notify our Board of Directors before pledging our Shares as collateral for himself or others. In addition, Shareholders who have outstanding loans from us exceeding the audited net value of our Shares held by them at the end of the previous financial year are not permitted to pledge our Shares. Our Shareholders and our Directors designated by them are restricted from voting in Shareholders' general meetings and Board meetings, respectively, if such Shareholders fail to repay outstanding borrowings when due. Changes in shareholding restrictions imposed by the PRC government or as provided for in our Articles of Association in the future may materially and adversely affect the value of your investment.

According to relevant requirements of the Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》) promulgated by the then CBRC on January 5, 2018, no shareholder of a commercial bank may authorize any other person to or accept any other person's authorization to hold equity of a commercial bank; in the event that the shareholders of a commercial bank intend to transfer their equity therein, the shareholders shall inform the transferees to comply with the laws and regulations as well as requirements promulgated by the then CBRC; the same investor and its related parties and parties acting in concert shall comply with the shareholding percentage requirement of the then CBRC, if they decide to invest in a commercial bank; if the then CBRC or its local offices take steps to control risks and take-overs due to material risk issues or material noncompliance of the commercial bank, shareholders shall actively cooperate with the then CBRC or its local offices to conduct risk controlling and other relevant actions.

In particular, this regulation sets out that the investor and its related parties and parties acting in concert shall apply for, and obtain the prior approval from the then CBRC or its local offices with authority, if, individually or collectively, (i) they intend to hold over 5% of the total equity interests of a commercial bank of China for the first time, and (ii) each time the equity interest they hold would increase by another 5% of the total equity interest of the relevant bank. Administrative approval in relation to holding of equity interest of commercial banks through stock market in China or overseas in this regard is only valid for six months. Furthermore, according to this regulation, financial products can invest in shares of listed commercial banks, subject to the restriction that the total number of shares being invested by financial products that are controlled by an individual investor, issuer, manager or their respective actual controllers, affiliates or parties acting in concert, shall not exceed 5% of relevant commercial banks. The substantial shareholder of a commercial bank shall not hold shares or equity of such commercial bank through financial products they issue, manage or control by any means. Changes in shareholding restrictions imposed by the PRC government or as provided for in our Articles of Association in the future may materially and adversely affect the value of your investment.

The applicable PRC regulations impose certain limitations on the products in which we may invest, and our ability to seek higher investment returns and diversify our 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 debt securities issued by the MOF, the PBoC, PRC policy banks, PRC commercial banks and corporates. In recent years, additional investment products have been introduced to the market, such as trust fund plans, asset management plans, wealth management products issued by financial institutions, investment funds, asset-backed securities and structural notes, as a result of changes to regulatory regimes and market conditions. 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 us, may limit our ability to seek optimal returns.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

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

All of our business, assets and operations are located in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and industries by imposing industrial policies and regulates the PRC's macroeconomy through its fiscal and monetary policies.

Our performance has been and will continue to be affected by China's economy, which, in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth.

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

We may be subject to additional regulatory requirements as new laws and regulations in connection with overseas listing and offering and future capital raising activities are issued by the PRC governmental authorities.

PRC laws and regulations in relation to overseas issuance and listing of shares have been evolving. As a result, we may be required to make filings with or report to CSRC or other PRC regulatory authorities for our future capital raising activities. Any failure or perceived failure to make filing, report or comply with other applicable laws and regulations would have a material adverse effect on our future capital raising activities and result in negative publicity and legal proceedings or regulatory actions against us.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the "July 6 Opinion"), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

To echo and reflect the July 6 Opinion, on February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Trial Measures") and their implementation guidelines. The Trial Measures, which came into effective on March 31, 2023, mainly provide the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. For more details, see "Regulatory Overview – Regulations Relating to Overseas Offering and Listing." We are required to file with the CSRC in accordance with the Trial Measures after our application for the offering is submitted, and there is uncertainty as to whether we will be able to complete the filing procedures or obtain approval for this offering in a timely manner or at all.

In addition, if the CSRC or other PRC regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for this offering or future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our Shares.

The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this offering or future capital raising activities before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

The legal protections available to you under the PRC legal system may be limited. There are uncertainties regarding the interpretation and enforcement of the PRC laws, regulations and rules.

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

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

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

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 "**2006 Arrangement**"). Under the 2006 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. Under the 2006 Arrangement, a choice of court agreement in writing refers to an agreement in writing entered into between parties after the effective date of the 2006 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. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgment", "specific legal relationship" and "written form". A final judgment that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court and we cannot assure you that a final judgment that complies with the 2006 Arrangement can be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the "**2019 Arrangement**"). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among other things. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

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

All of our operating income is denominated in RMB, which is currently not a fully freely convertible currency. A portion of our operating incomes must be converted into other currencies in order to meet our foreign currency obligations. For instance, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing laws and regulations on foreign exchange, following the completion of the [**REDACTED**], we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements. We review the authenticity and compliance of such payment according to relevant regulations. 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. As a result, we may not be able to pay dividends in foreign currencies to our holders of H shares.

From time to time, the value of the RMB 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 adopted a more flexible managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. The PRC government has since introduced further changes to the exchange rate system in 2012 and 2014. On August 11, 2015, PBoC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre 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. With the development of foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system. It is difficult to predict how market forces or the PRC or U.S. governmental policies, including any US interest rate adjustments by the Federal Reserve of the United States, may impact the exchange rate between RMB and the U.S. dollar in the future.

As all of our operating income is denominated in Renminbi, and the [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other currencies may result in the decrease in the value of our foreign currency denominated assets and our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign exchange currency exposure at reasonable costs. We cannot assure you that we will be able to minimize or reduce our foreign currency risk exposure relating to our foreign currency denominated assets. Furthermore, we are also currently required to obtain the approval from SAFE before converting significant amounts of foreign currencies into Renminbi. All these factors could adversely affect our financial condition and results of operations.

Our operations are subject to and may be affected by changes in the PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities, and there is no assurance that any such examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law of the PRC (Revised in 2018) (《中華人民共和國個人所得稅法(2018年修訂)》) and the amended Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》) that took effect on January 1, 2019, foreign nationals have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

Holders of H shares may be subject to PRC taxation on dividends paid by us and gains realized through their disposal of our 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 us or gains realized upon the sale or other disposition of our 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. We are 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%. There remains uncertainty 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 the 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 other applicable PRC tax regulations and statutory documents, which can be reduced or eliminated 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 our non-resident enterprise H Shareholders through the sale or transfer by other means of H Shares.

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

For details, see "Appendix IV – Taxation and Foreign Exchange".

Payment of dividends is subject to restrictions under PRC laws.

Under PRC law and our Articles of Association, dividends may only be paid only out of distributable profits after the listing. Our 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, we will also prepare financial statements in accordance with IFRS or the accounting standards of the jurisdiction in which we are listed. After the [**REDACTED**], 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 the accounting standards mentioned above. We are prohibited from paying dividends for a given year out of our profit after tax to our Shareholders in proportion to their respective shareholdings before making up any accumulated losses of previous years and making appropriations to the statutory surplus reserve and general reserve as well as discretionary reserve as approved by our Shareholders' meeting. As a result, we may not have distributable profits to make dividend distributions to our Shareholders, including in respect of periods where we have recorded an accounting profit. Any distributable profits not distributed in a given year may be retained and available for distribution in subsequent years. In addition, the former CBRC has discretion to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratio requirements or that has violated certain other PRC banking laws and regulations. For details, see "Regulatory Overview – Supervision over Capital Adequacy."

RISKS RELATING TO THE [REDACTED]

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

Prior to the completion of the [**REDACTED**], no public market has existed for our H Shares. The initial [**REDACTED**] range to the public for our H Shares is the result of negotiations between us on behalf of ourselves, [**REDACTED**] on behalf of the [**REDACTED**], and the [**REDACTED**] may differ significantly from the market price for our H Shares following the [**REDACTED**]. There can be no assurance that an active trading market for our H Shares will develop following the [**REDACTED**] or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline below the initial [**REDACTED**].

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

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

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the market price for our H Shares and trading volume may decline.

The trading market for our H Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the market price for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our H Shares to decline.

Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the issuance of new H Shares or other securities relating to our Shares or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the ownership percentage of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the H Shares.

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

Facts, forecasts and statistics in this Document relating to the PRC, the PRC economy and the PRC and global banking industries, including our market share information, are derived from various governmental sources and information published by various government authorities and departments, such as PBoC, the NAFR and its predecessor, the former CBIRC, the International Monetary Fund, the Statistics Bureaus of Sichuan Province and other provinces, or other public sources. We believe that these sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Such information has not been independently verified by us, the Joint Sponsors, [**REDACTED**] or their respective directors or any other person involved in the [**REDACTED**], and no representation is given as to its accuracy. In addition, these facts, forecasts and statistics may not be consistent with information available from other sources, and may not be complete or up to date. As a result, you should not place undue reliance on such information.

Since there may be a gap of several Business Days between* [REDACTED] *of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**]. However, our H Shares will not commence [**REDACTED**] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several Business Days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our 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 rely only on this Document, the* [REDACTED] *and other formal announcements made with respect to the* [REDACTED] *and read the entire Document carefully, and not place any reliance on any information contained in press articles or other media, in making your investment decision.

We have not authorized anyone to provide you with information that is not contained in this Document and the [**REDACTED**]. Any financial information, financial projections, valuations, and other information purportedly about us contained in any press articles or other media have not been authorized by us and we make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. In making your decision as to whether to purchase our H Shares, you should rely only on the information in this Document, the [**REDACTED**] and other formal announcements made with respect to our [**REDACTED**].